

Q3 2015 CHART BOOK



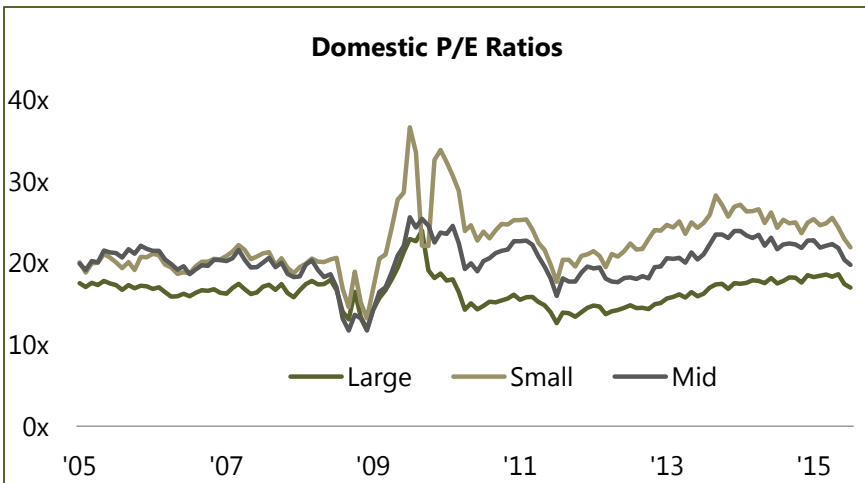
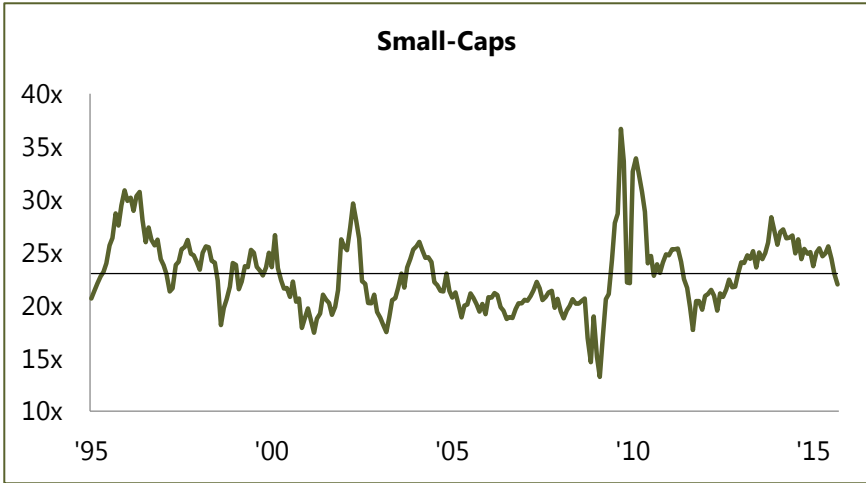
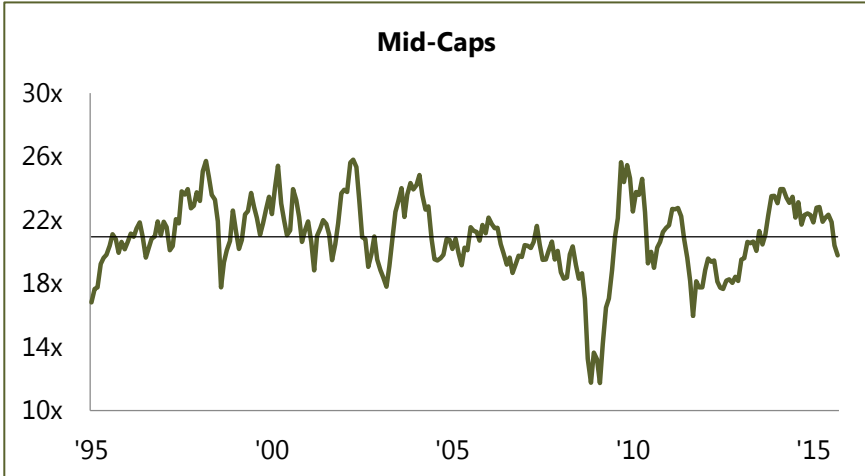
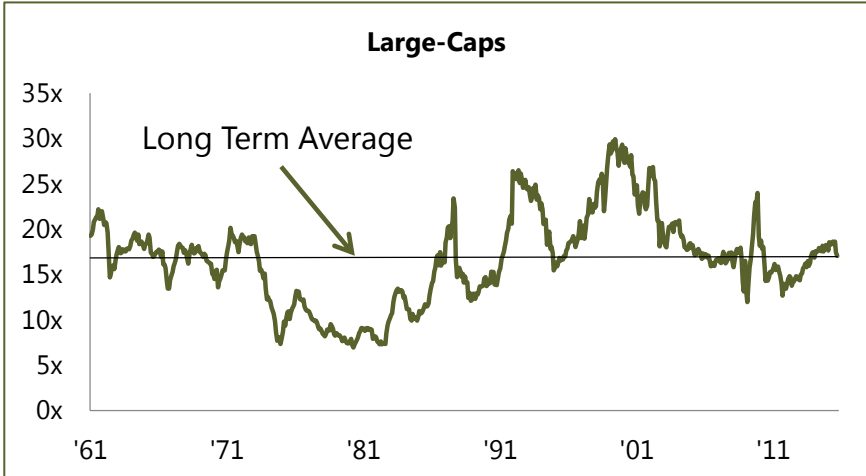
Buffalo, NY



North Palm Beach, FL

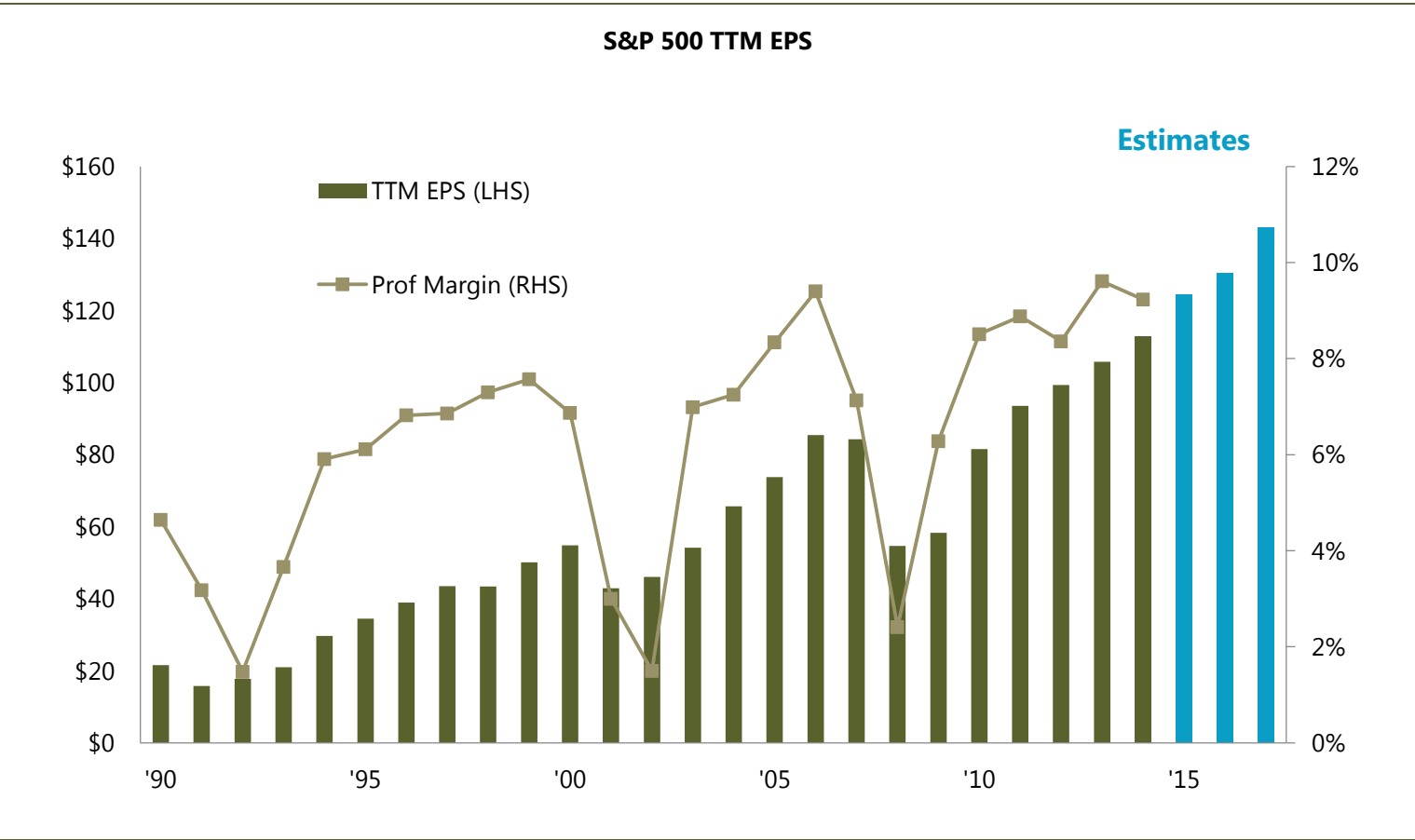
Domestic P/E's

After August's sell-off, the valuation multiples of all three market-cap indices' contracted. Although there was no change in the Fed's interest rate policy announced this quarter, Domestic P/E's may continue to contract if the Fed raises rates later this year.



S&P 500 EPS and Profit Margins

While currency headwinds and slowing global growth are still seen as potential risks to growing profit margins, cost cutting initiatives and cheaper inputs continue to support earnings estimates.



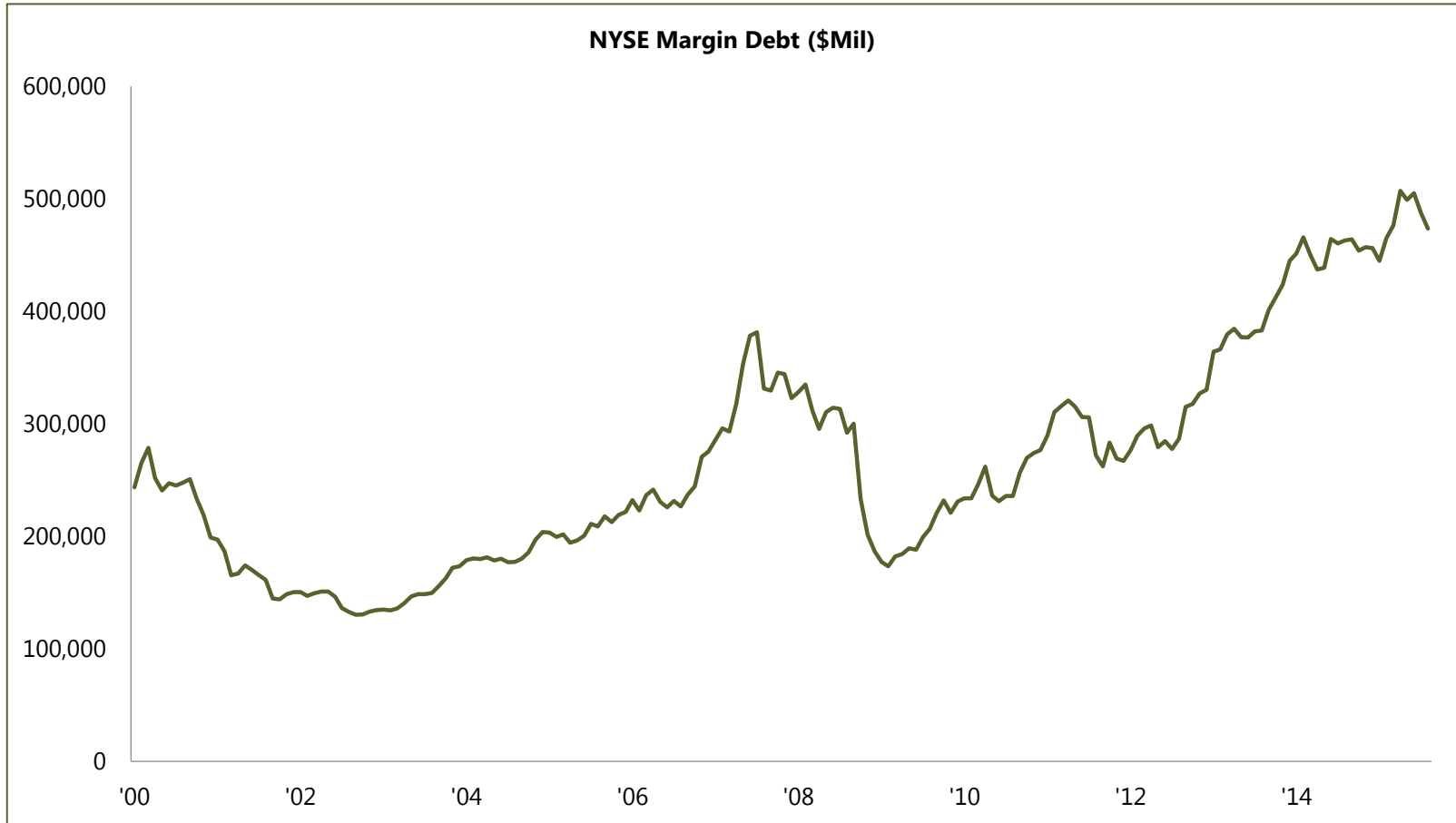
Current Sector Valuations

All 10 sectors remain fairly valued from an earnings perspective; however, Consumer Discretionary looks stretched on a Price to Book basis.

<u>S&P Sectors</u>	<u>ETF</u>	<u>P/E (TTM)</u>	<u>P/B</u>	<u>Cheap on P/E?</u>	<u>Cheap on P/B?</u>	<u>Div Yield</u>
Consumer Discretionary	XLY	20.8	4.6	Fairly Valued	SELL	1.6%
Health Care	XLV	20.7	3.6	Fairly Valued	Fairly Valued	1.7%
Consumer Staples	XLP	19.2	5.0	Fairly Valued	Fairly Valued	2.8%
Tech	XLK	17.6	3.8	Fairly Valued	Fairly Valued	1.7%
Utilities	XLU	16.0	1.6	Fairly Valued	Fairly Valued	3.8%
Energy	XLE	15.9	1.5	Fairly Valued	Fairly Valued	3.7%
Industrials	XLI	15.2	3.4	Fairly Valued	Fairly Valued	2.4%
Materials	XLB	14.6	2.9	Fairly Valued	Fairly Valued	2.6%
Financials	XLF	13.8	1.3	Fairly Valued	Fairly Valued	2.1%
Telecoms	VOX	13.0	2.9	Fairly Valued	Fairly Valued	5.4%

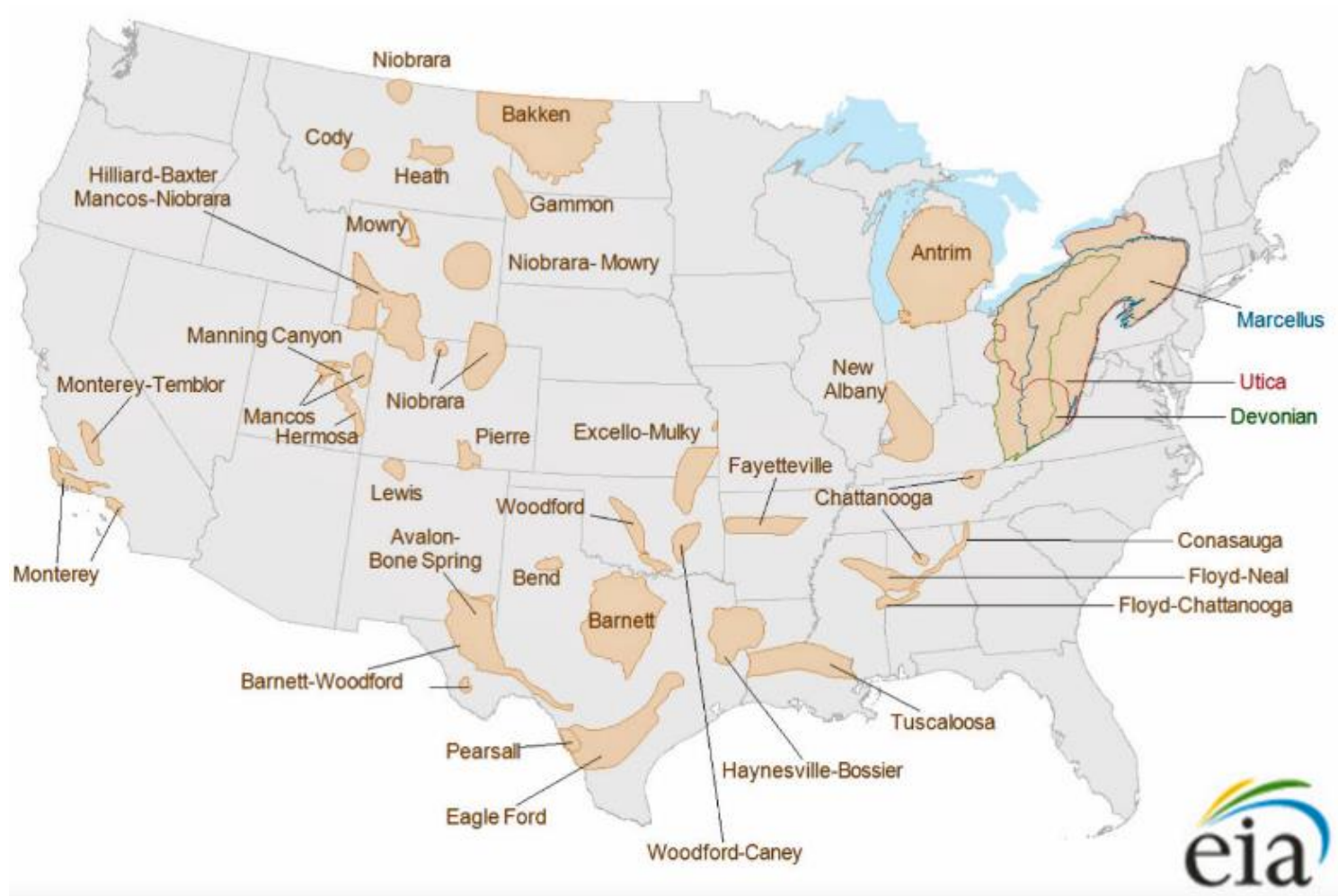
Equity Margin Debt

With this past quarter's rise in volatility, many investors were forced to cover their margin debt by selling their equity positions.



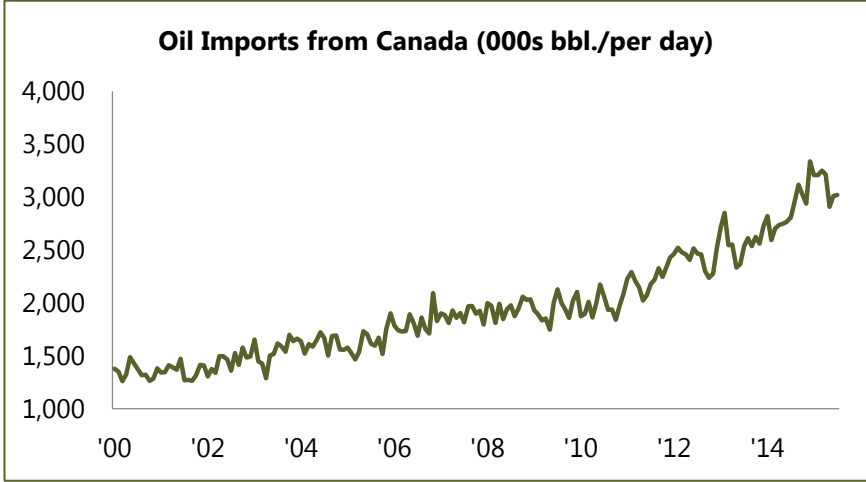
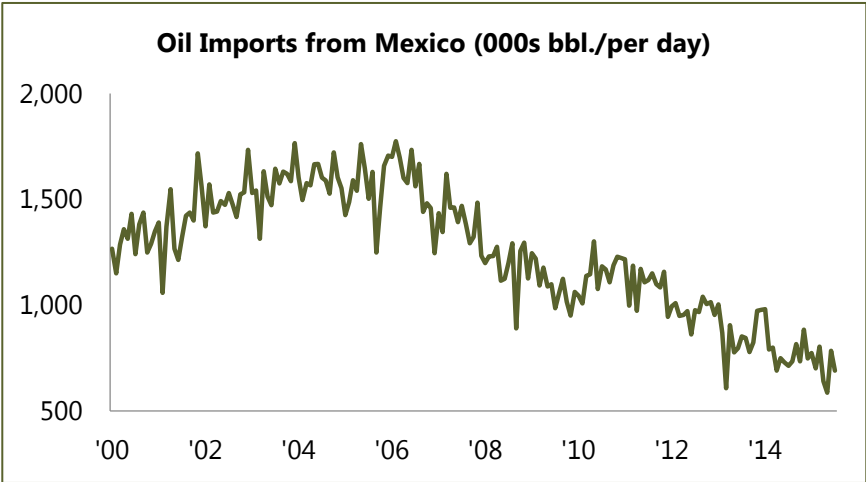
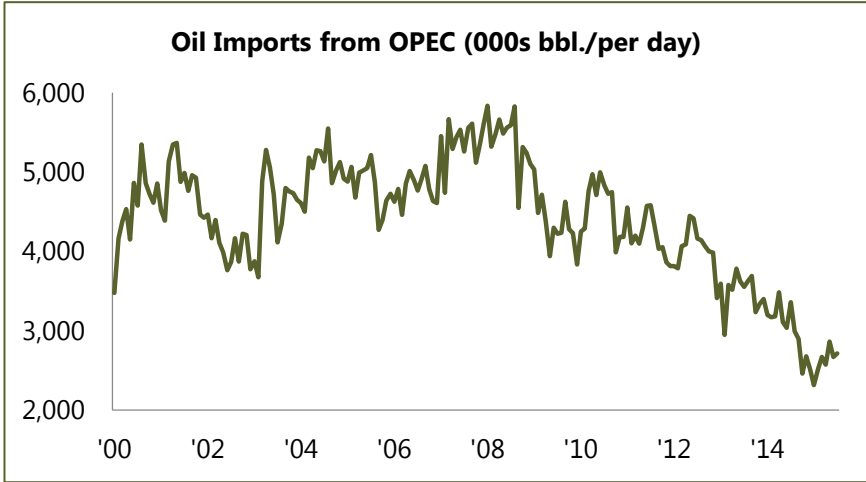
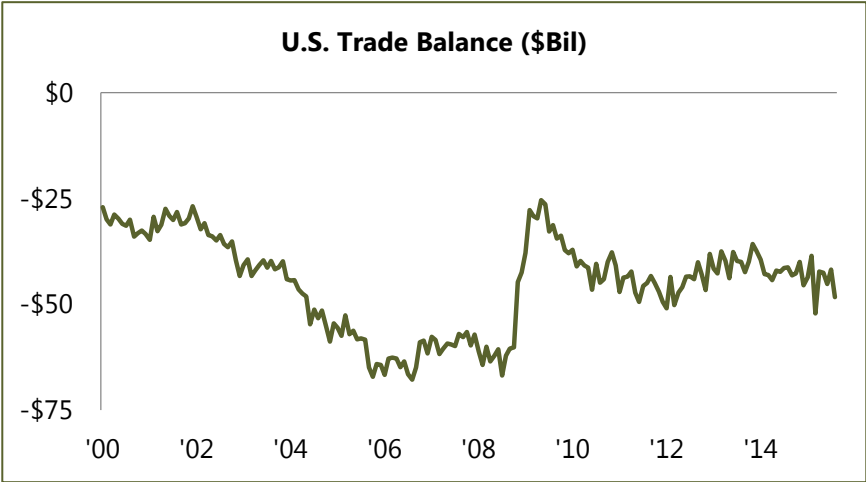
Domestic Shale Plays

The shale-gas industry is continuing to feel the pressure from lower energy prices, forcing energy companies to pause constructing new rigs.



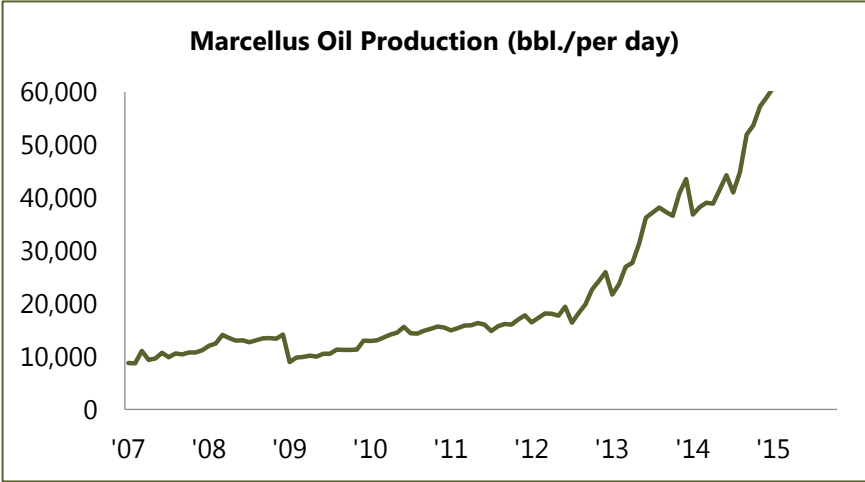
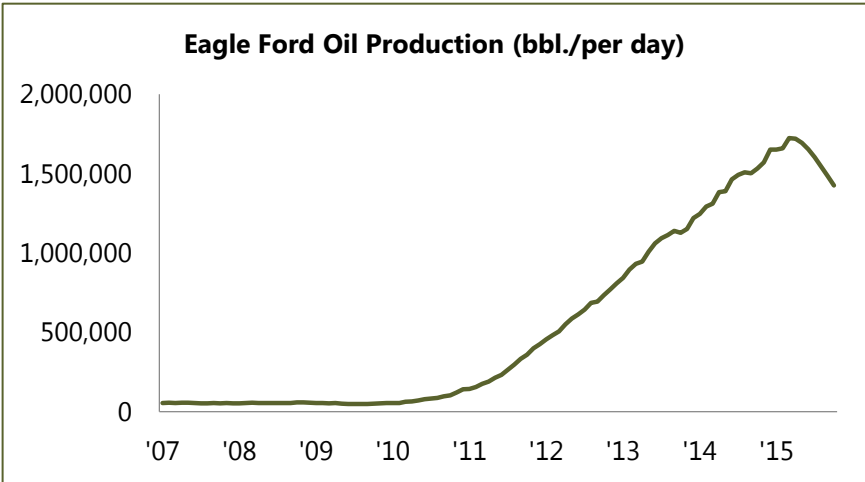
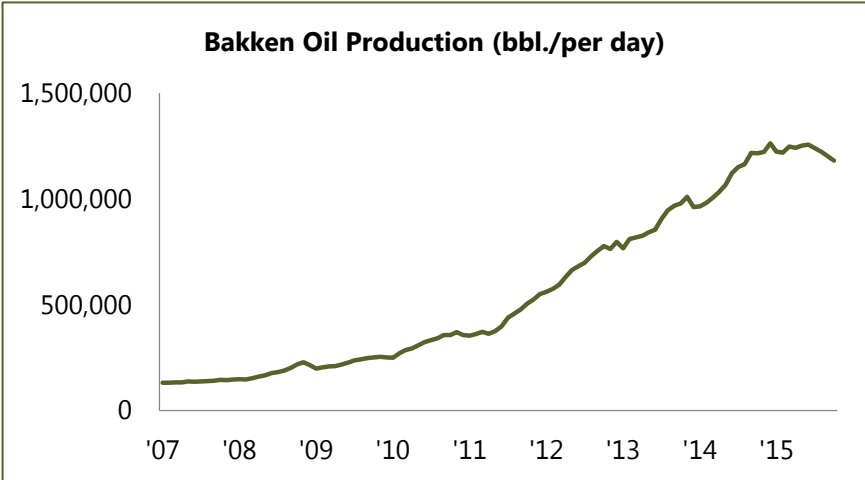
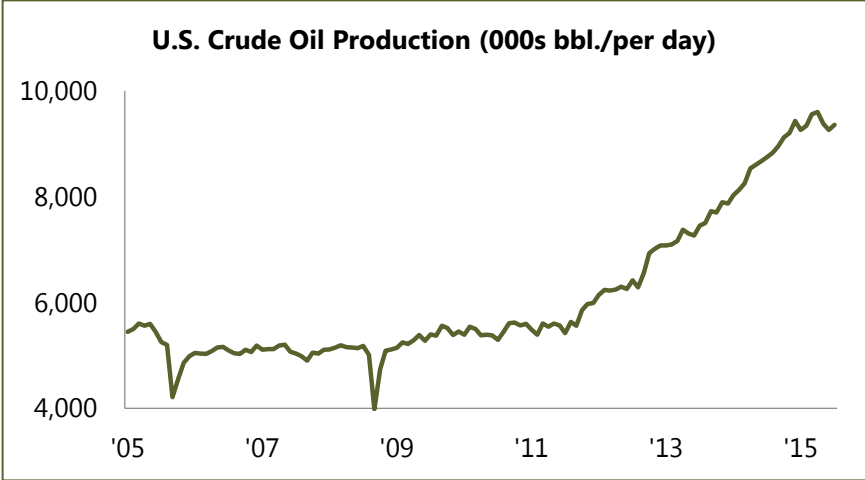
U.S. Imports

As the U.S. Dollar continues to appreciate in value against other currencies, the U.S. Trade Balance continues to widen. Rising domestic oil production has reduced the reliance on imported oil.



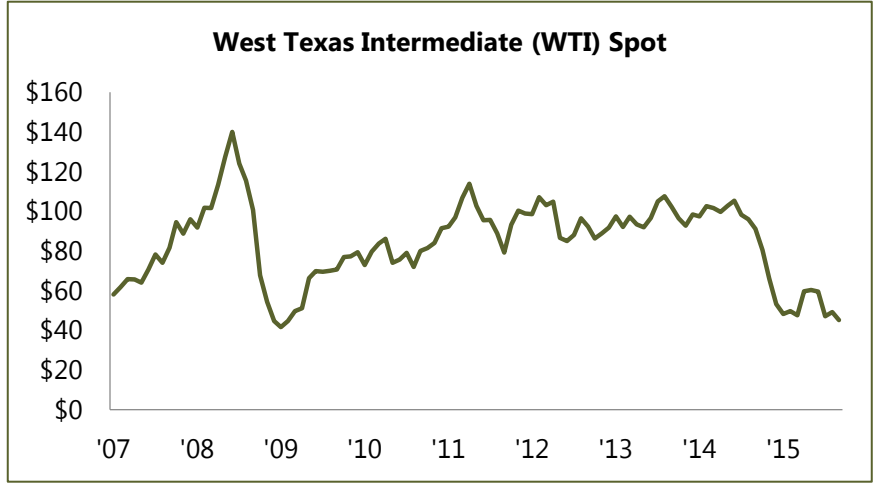
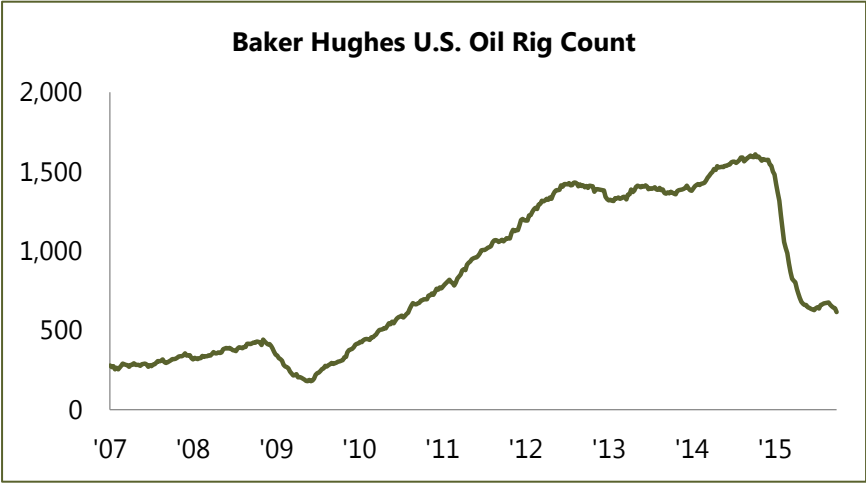
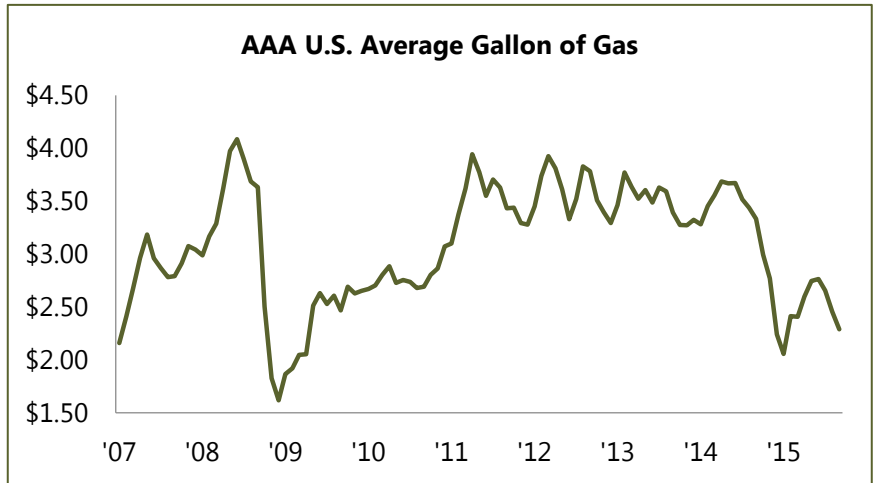
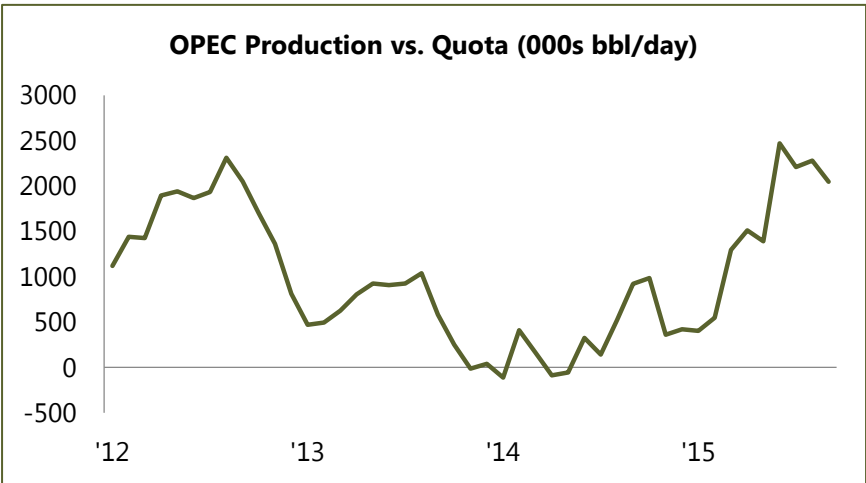
Domestic Daily Oil Production

U.S. Oil Production leveled off this quarter, as Bakken and Eagle Ford production declined.



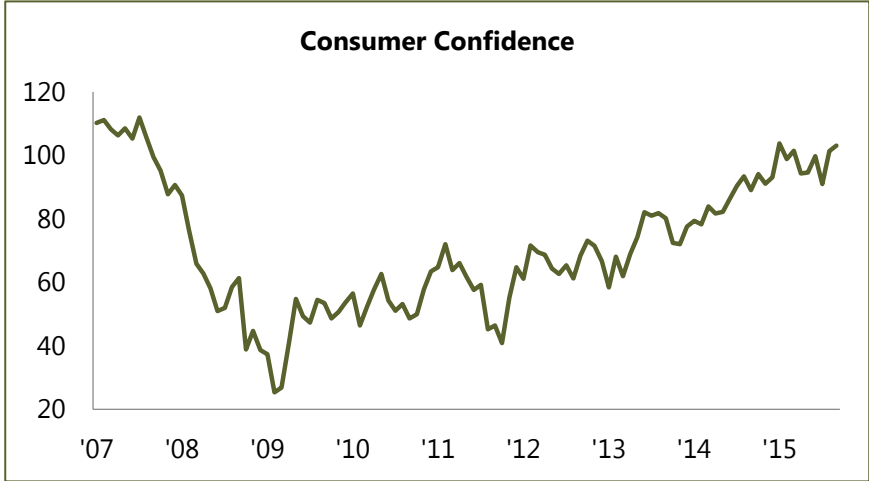
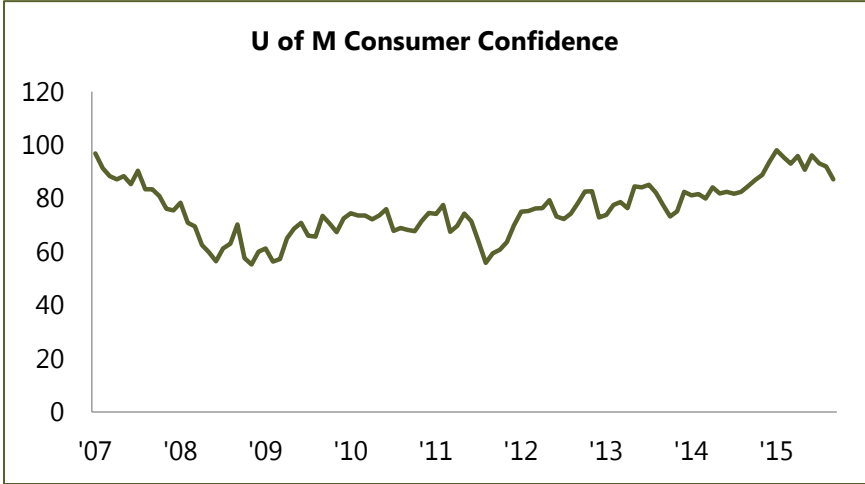
Oil Prices vs. Rig Counts

Feeling the pressure of lower Oil prices, OPEC continues to slow production. Rig counts remain at depressed levels, while the U.S. consumer is reaping the benefits of cheap oil through lower gas prices.



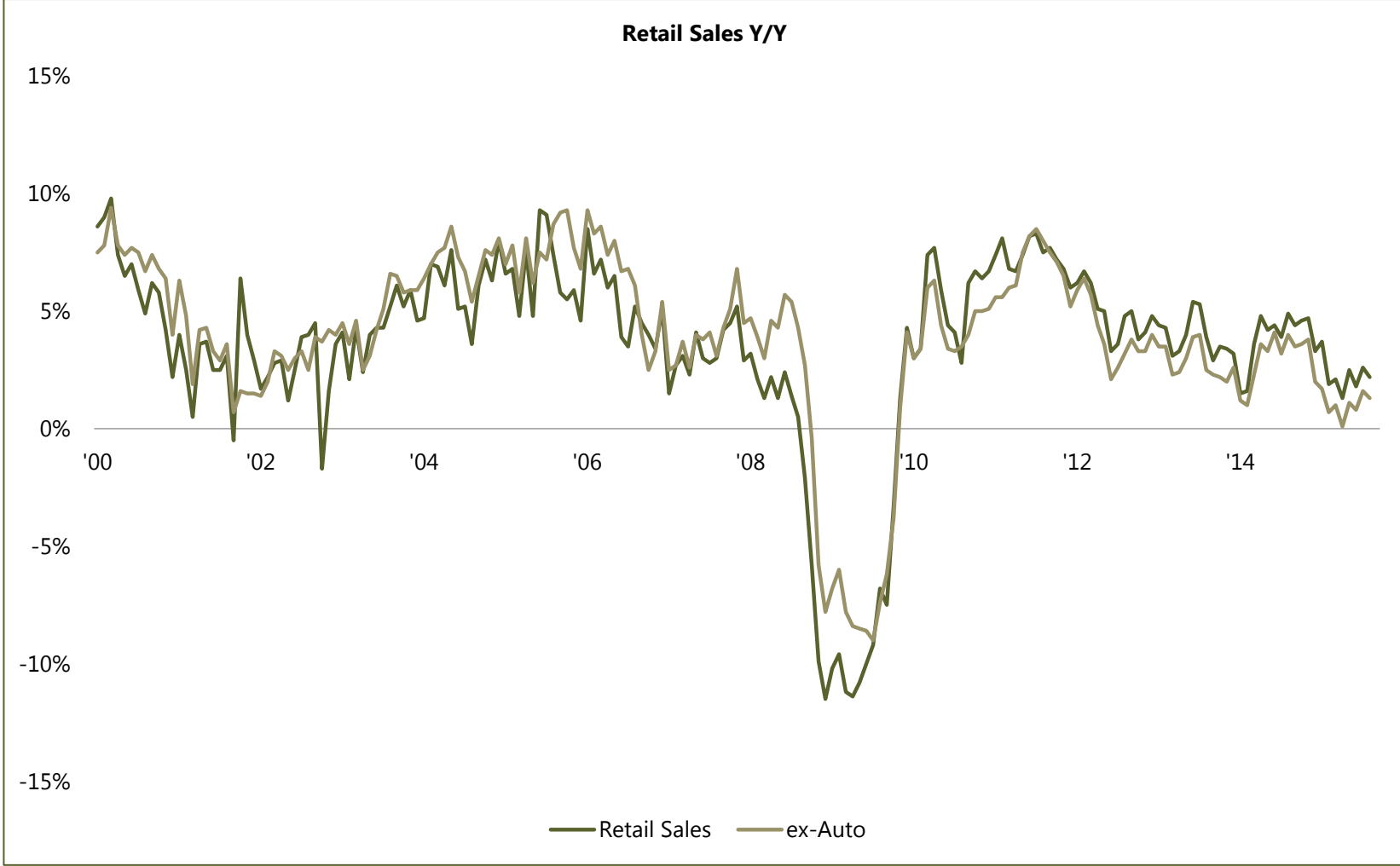
Measures of Confidence

Consumers account for 70% of the U.S. economy and rising consumer confidence should push U.S. GDP towards 3% growth in 2015.



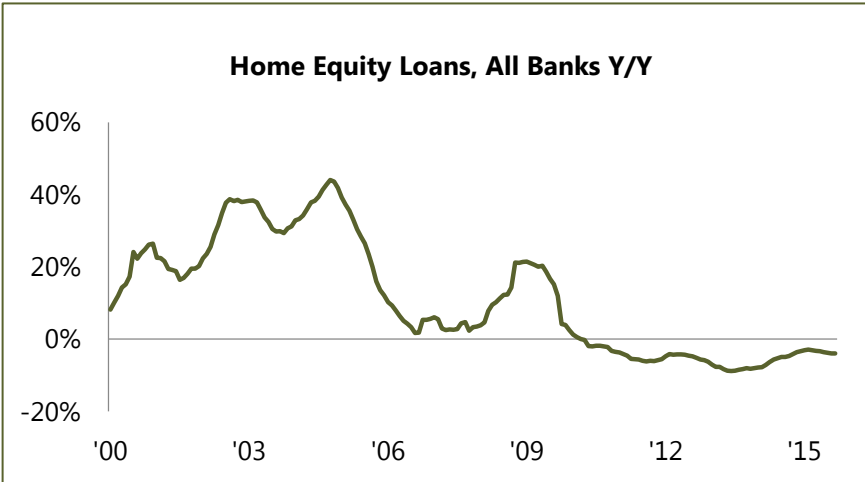
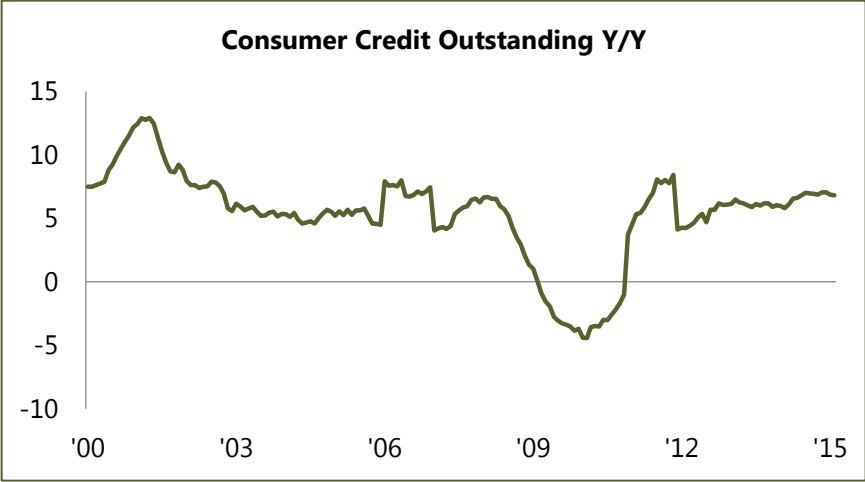
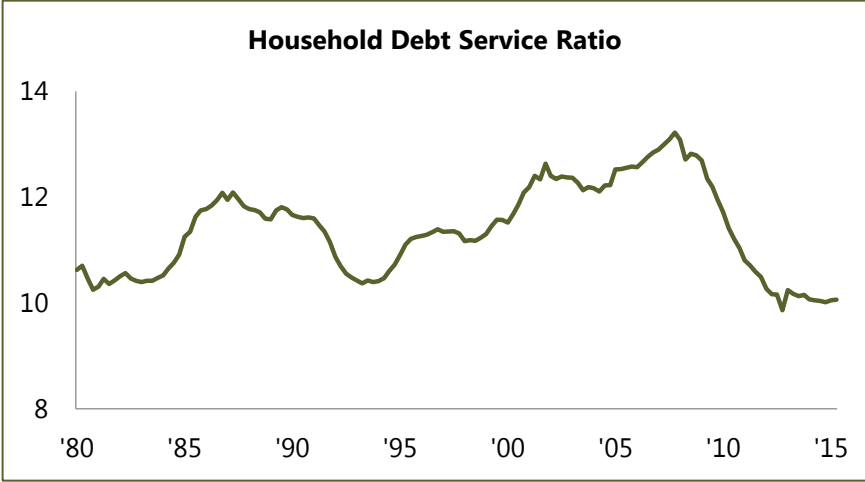
Retail Sales

Retail Sales remain at an inflection point as savings from low gas prices have yet to be fully felt.



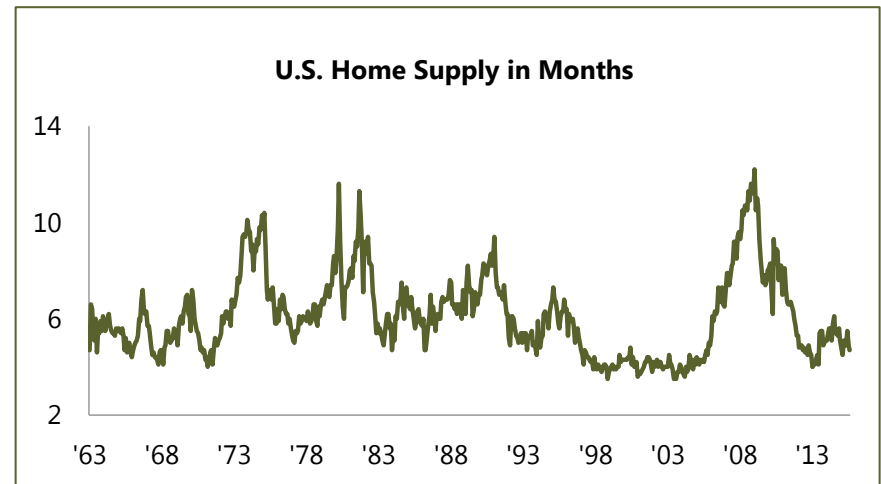
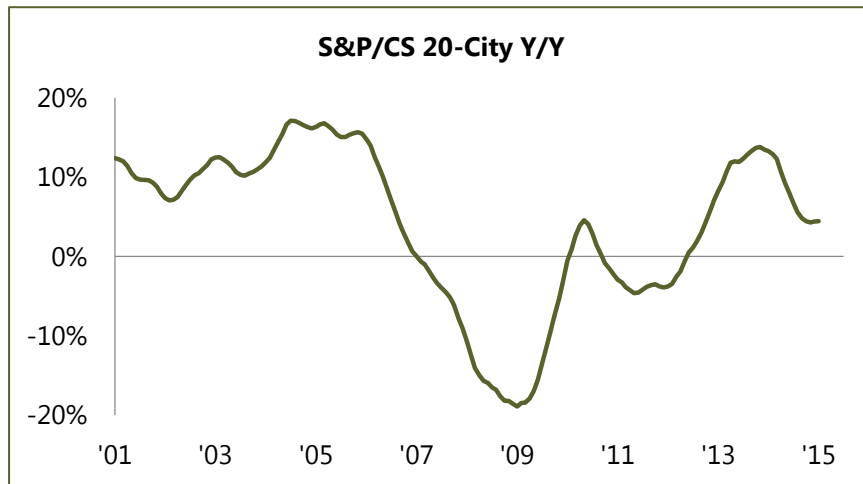
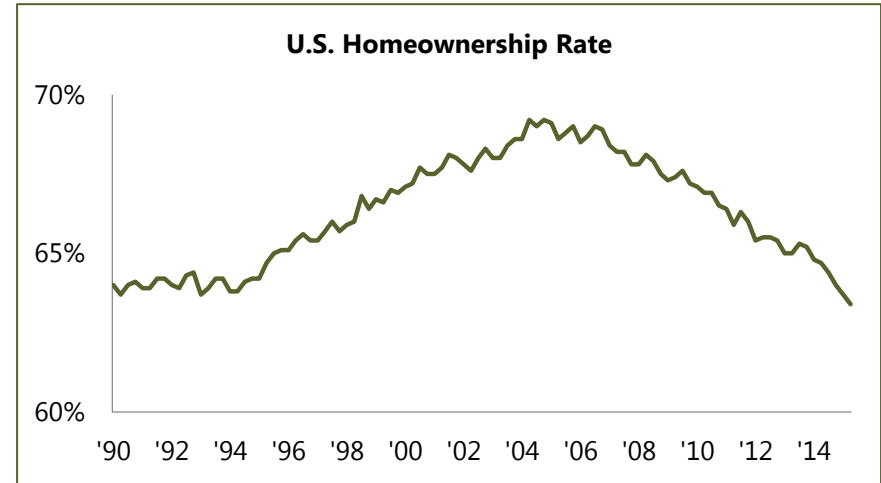
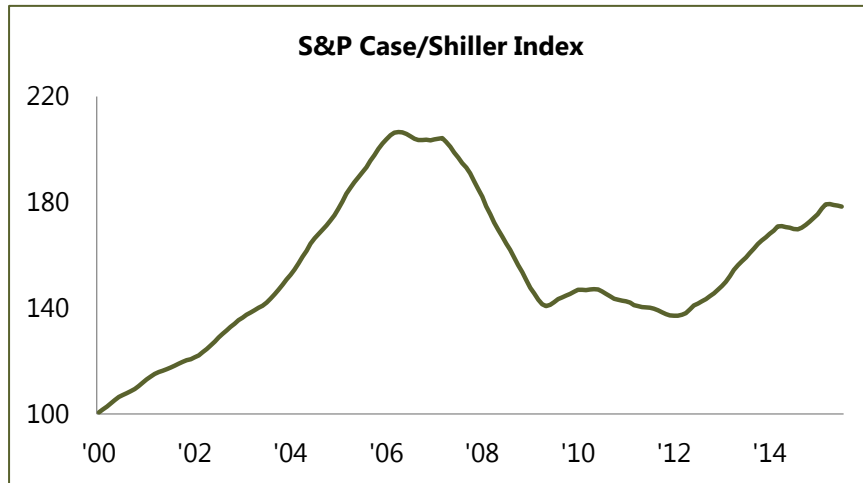
Consumer's Balance Sheets

Consumers continue to de-lever and increase personal savings rates, using savings from lower gas prices to shore up personal finances.



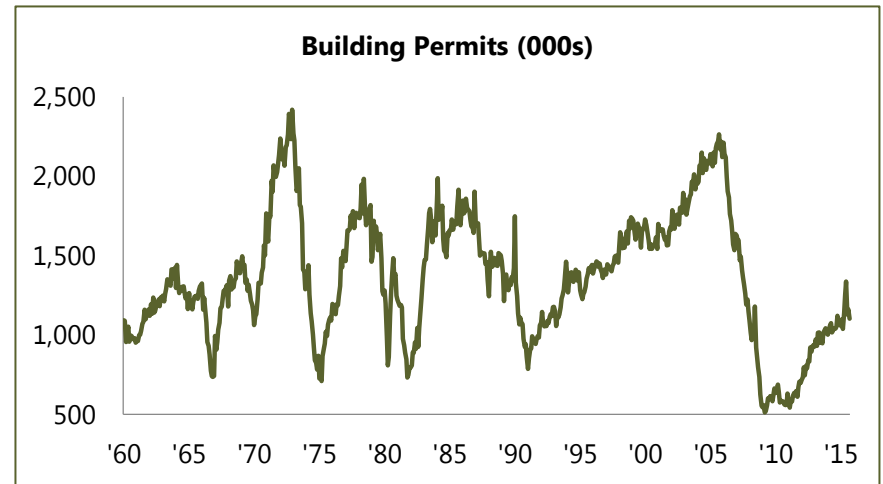
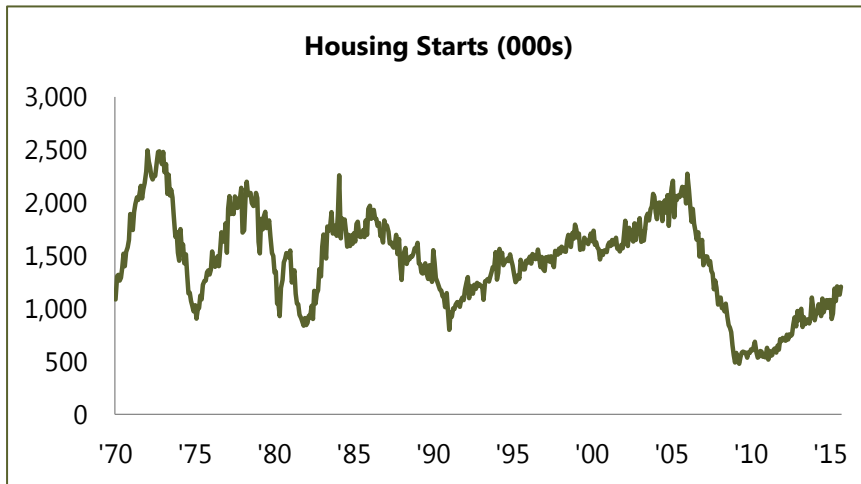
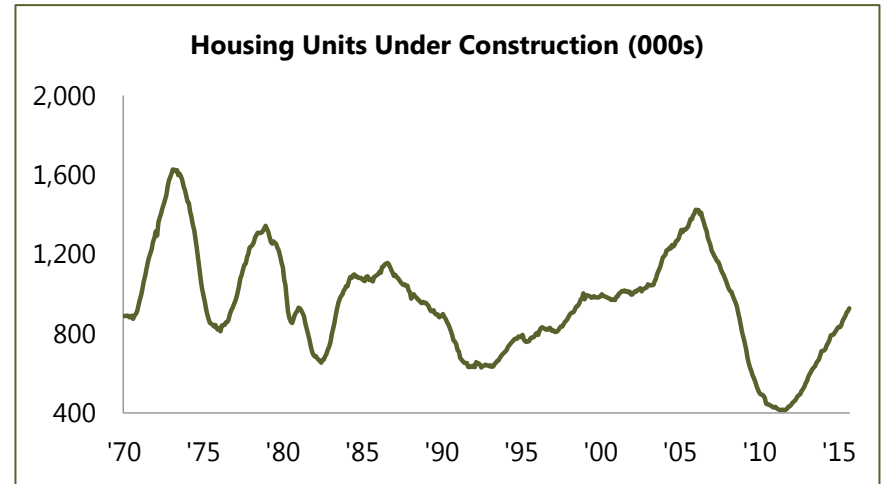
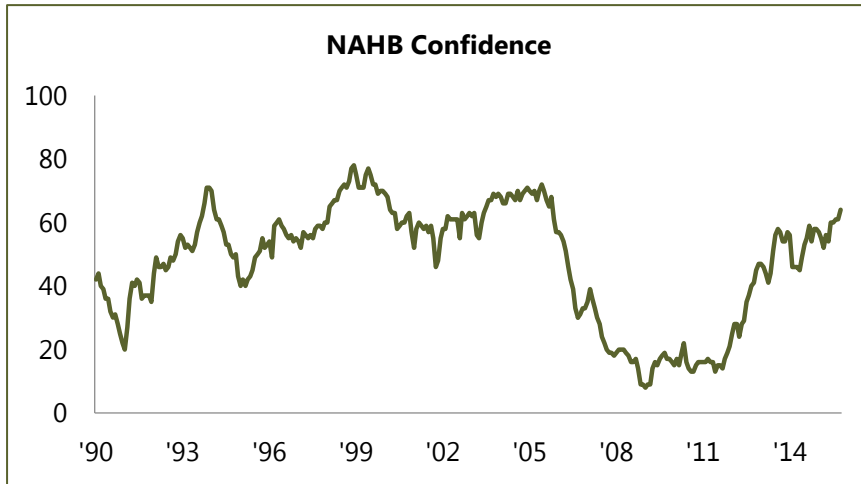
Housing

Homeownership rate continues to decline despite the housing market recovery from the 2008-2009 collapse. Increased demand for housing in large cities continues to push the S&P Case/Shiller Index higher.



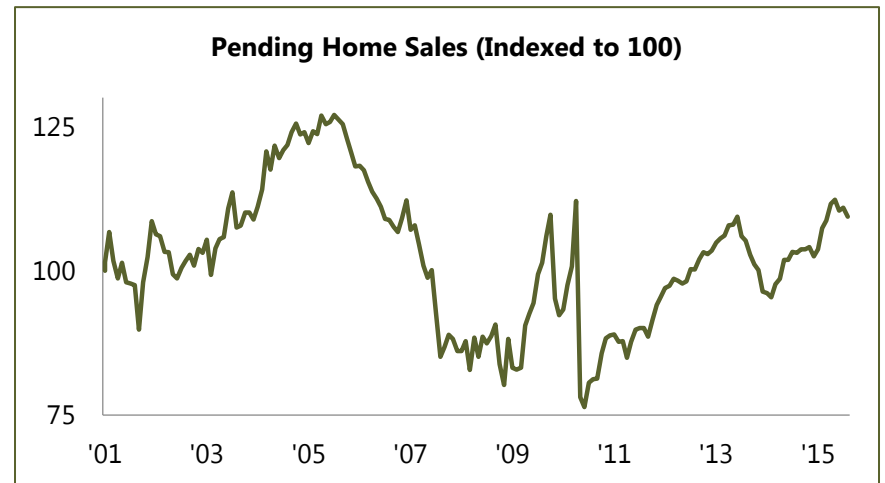
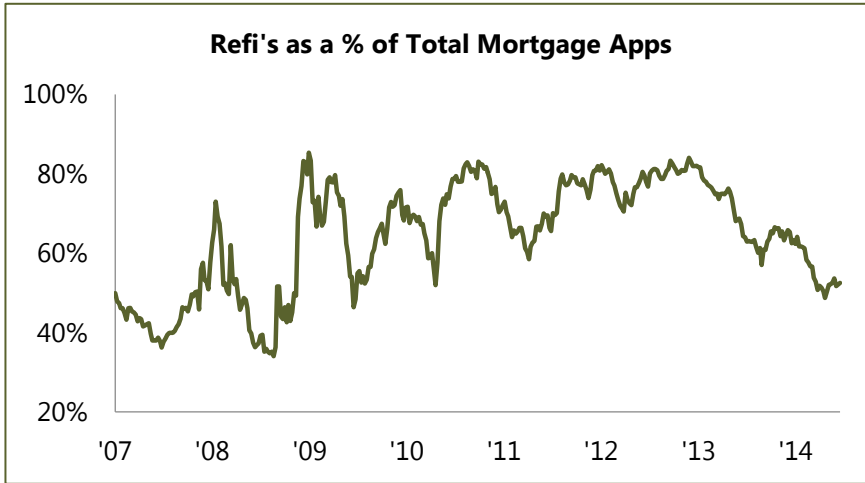
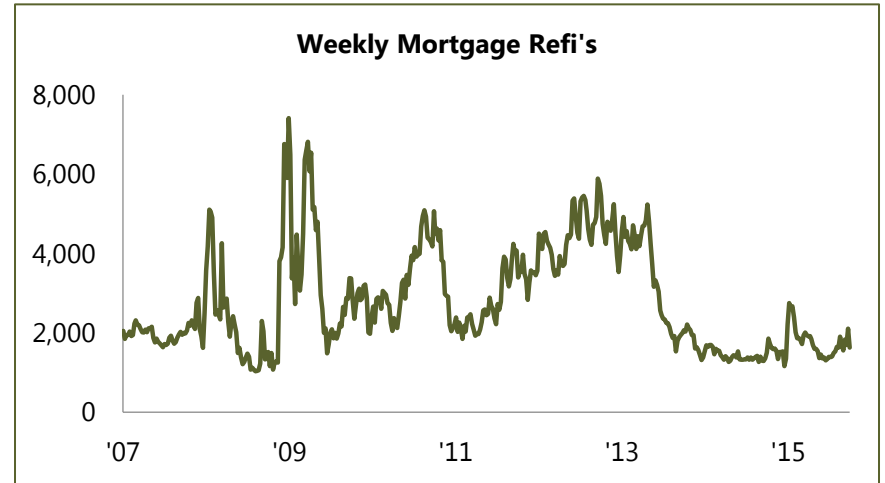
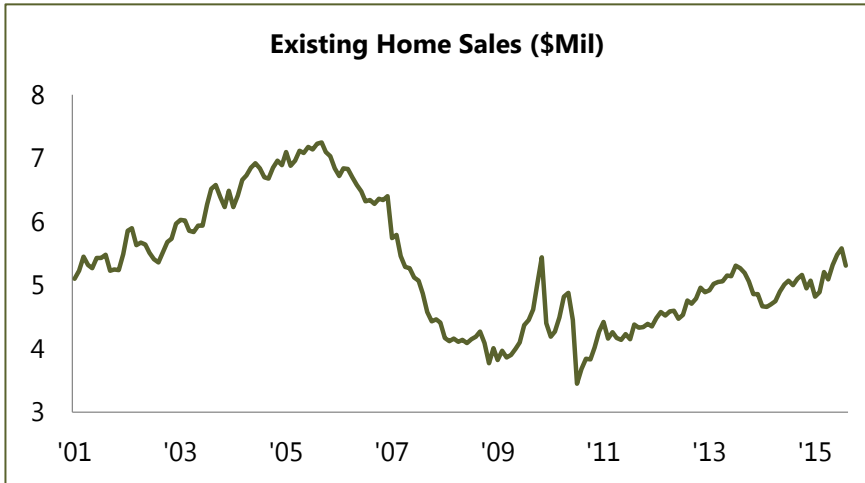
Housing

Growth in residential housing continues as higher rent prices push consumers to buy more affordable homes. An impending rate hike should continue to drive demand for mortgages in the coming months.



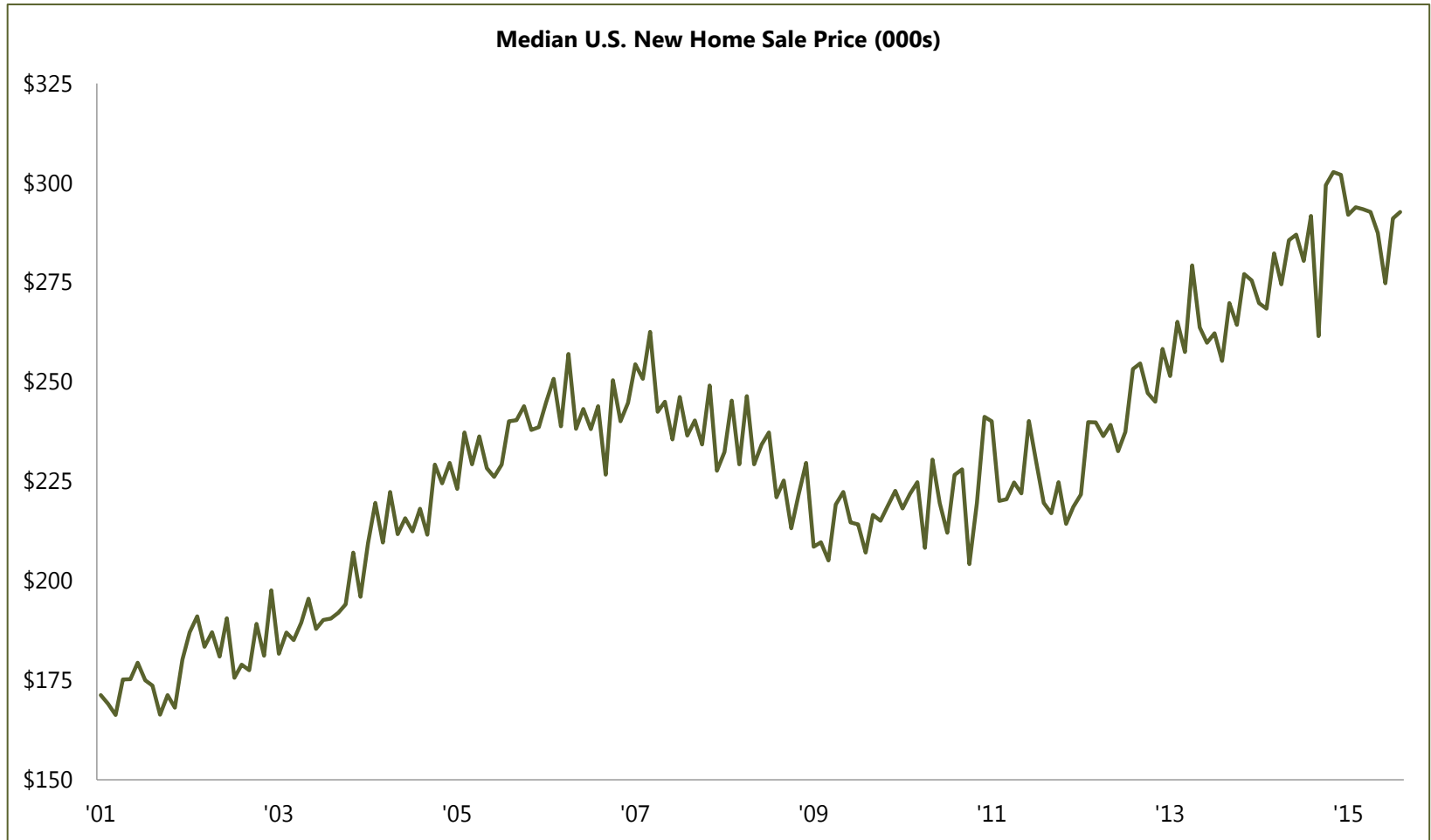
Housing

The prospect of higher interest rates next year should continue to drive heightened refinance activity into the winter. However, strict lending rules imposed through banks may prevent less credit-worthy individuals from receiving mortgages.



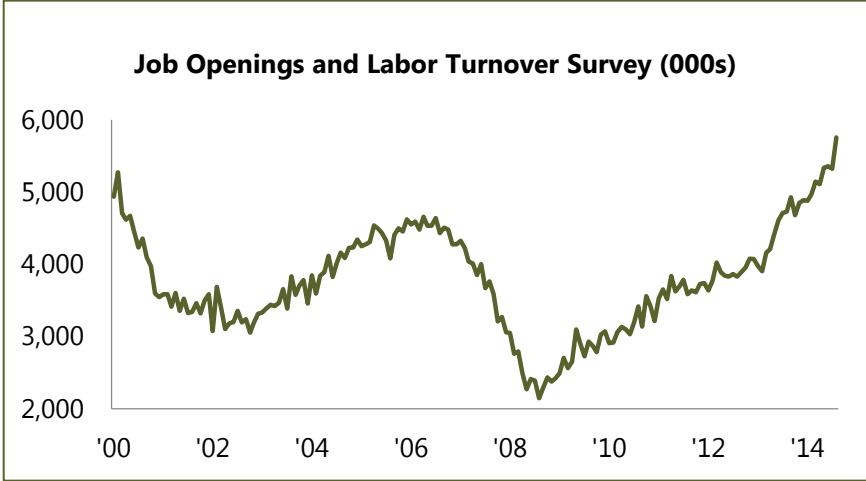
Housing

Higher-end housing demand continues to grow, pushing up the median price for new homes.



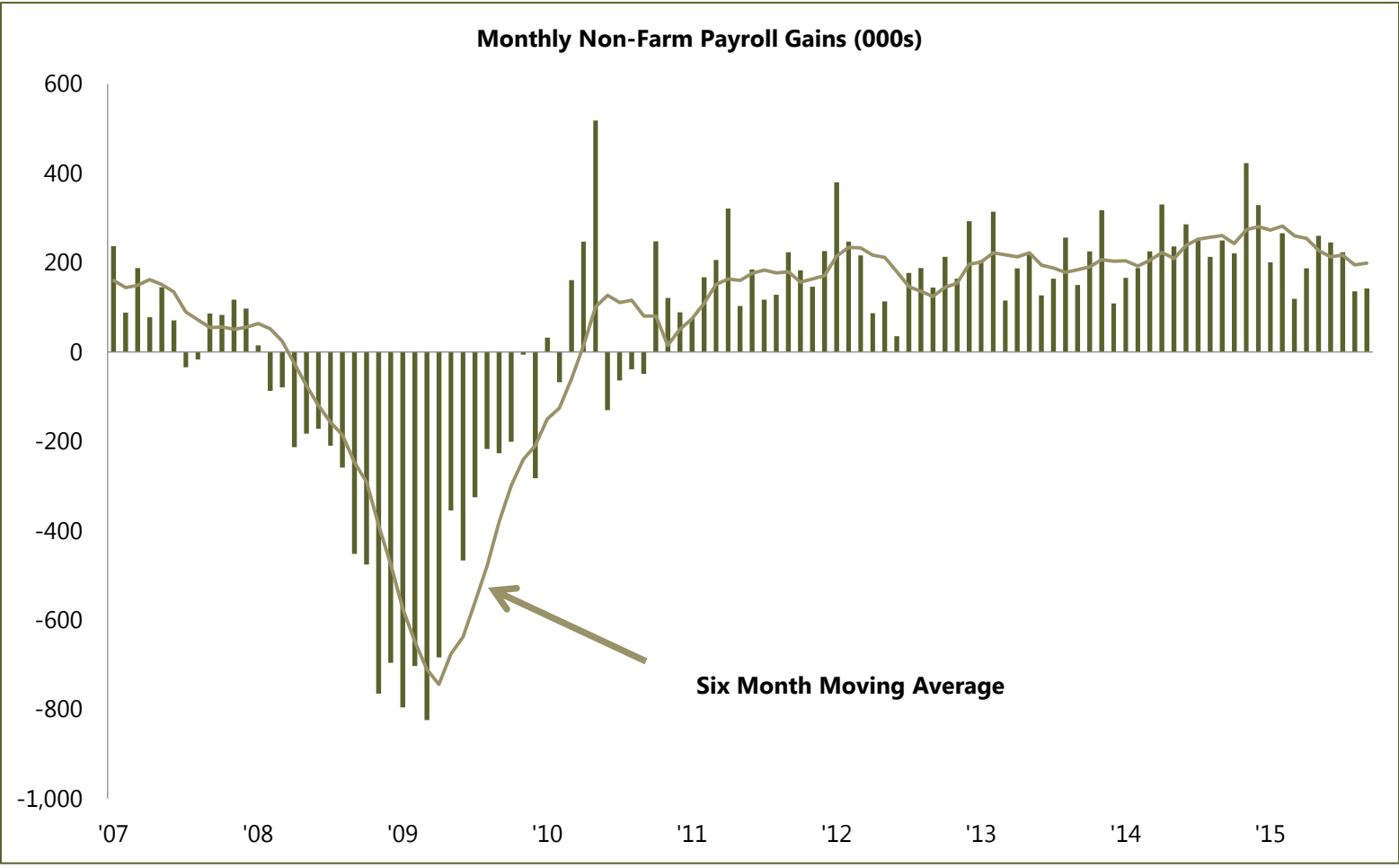
Labor Market Conditions

Unemployment, Job Openings and Labor Turnover Survey (JOLTS), and weekly Initial Claims all point to a healing labor market. The Unemployment rate is at its lowest level since the second quarter of 2008.



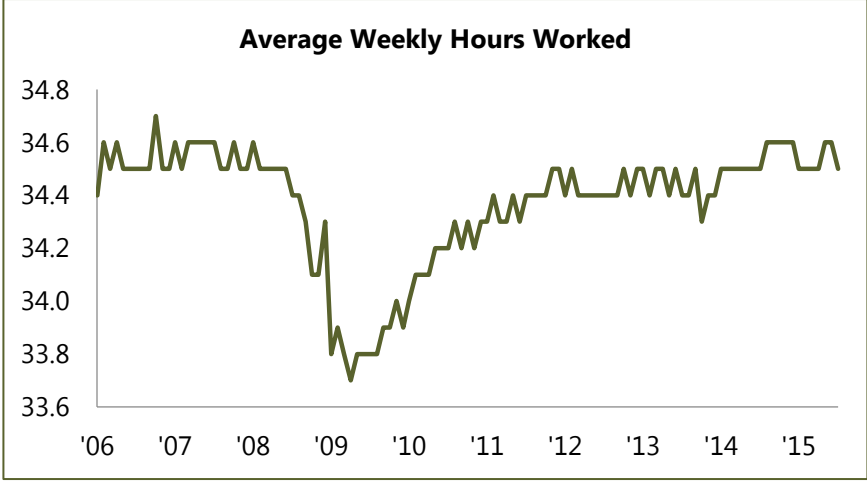
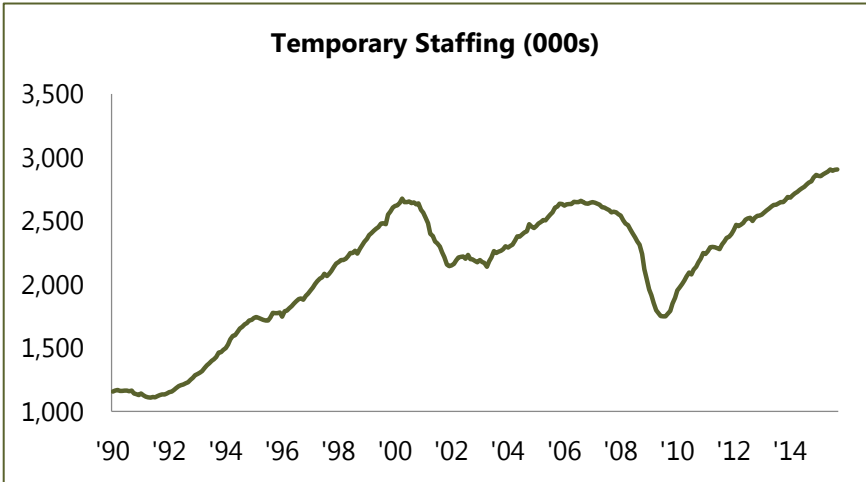
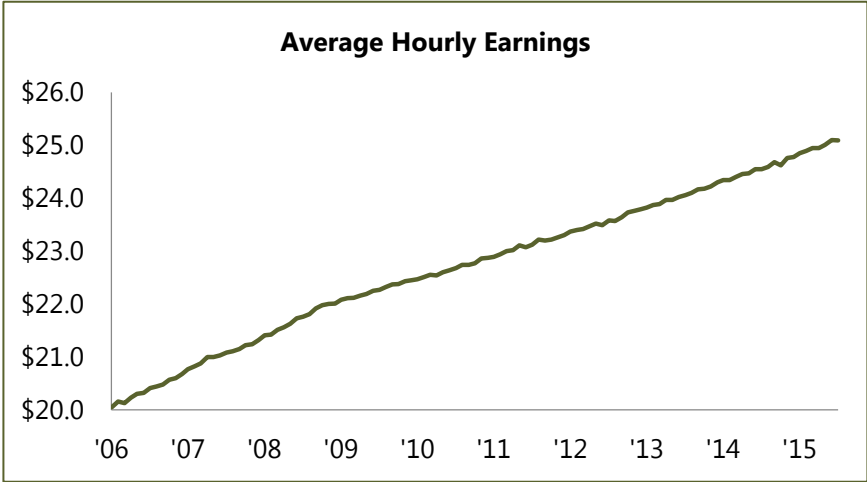
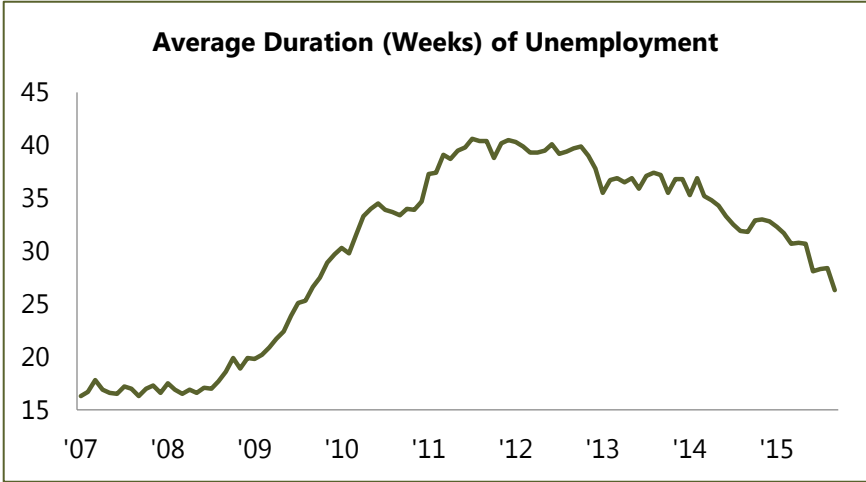
Labor Market Conditions

Despite the U.S. unemployment rate declining to 5.1% from 5.3% last quarter, modest additions to non-farm payrolls indicate a decelerating trend of payroll additions.



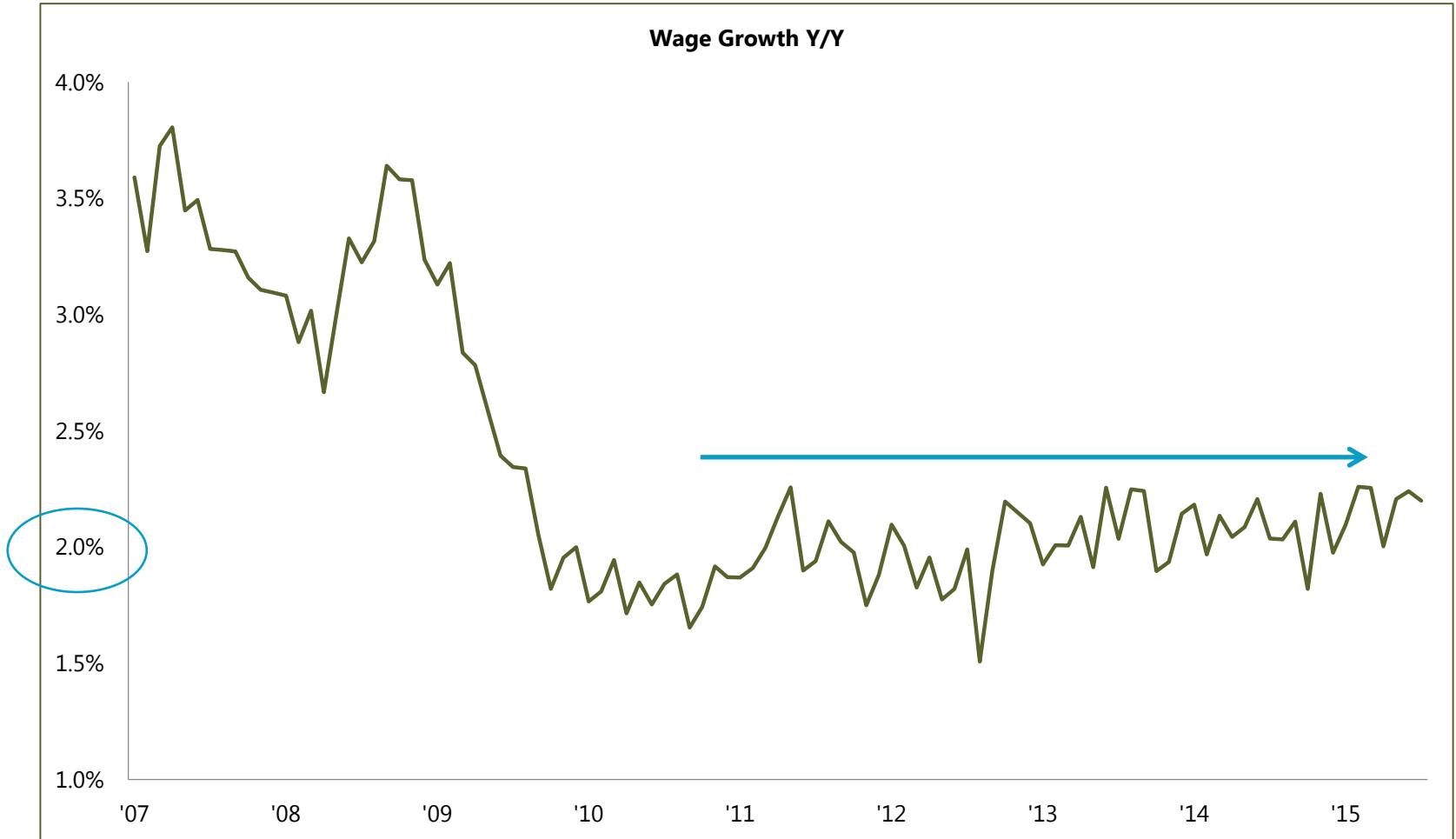
Labor Market Conditions

Stagnant wages amid declining unemployment continue to headline the U.S. labor market. Slowing Labor Force Participation should drive wages higher in the future.



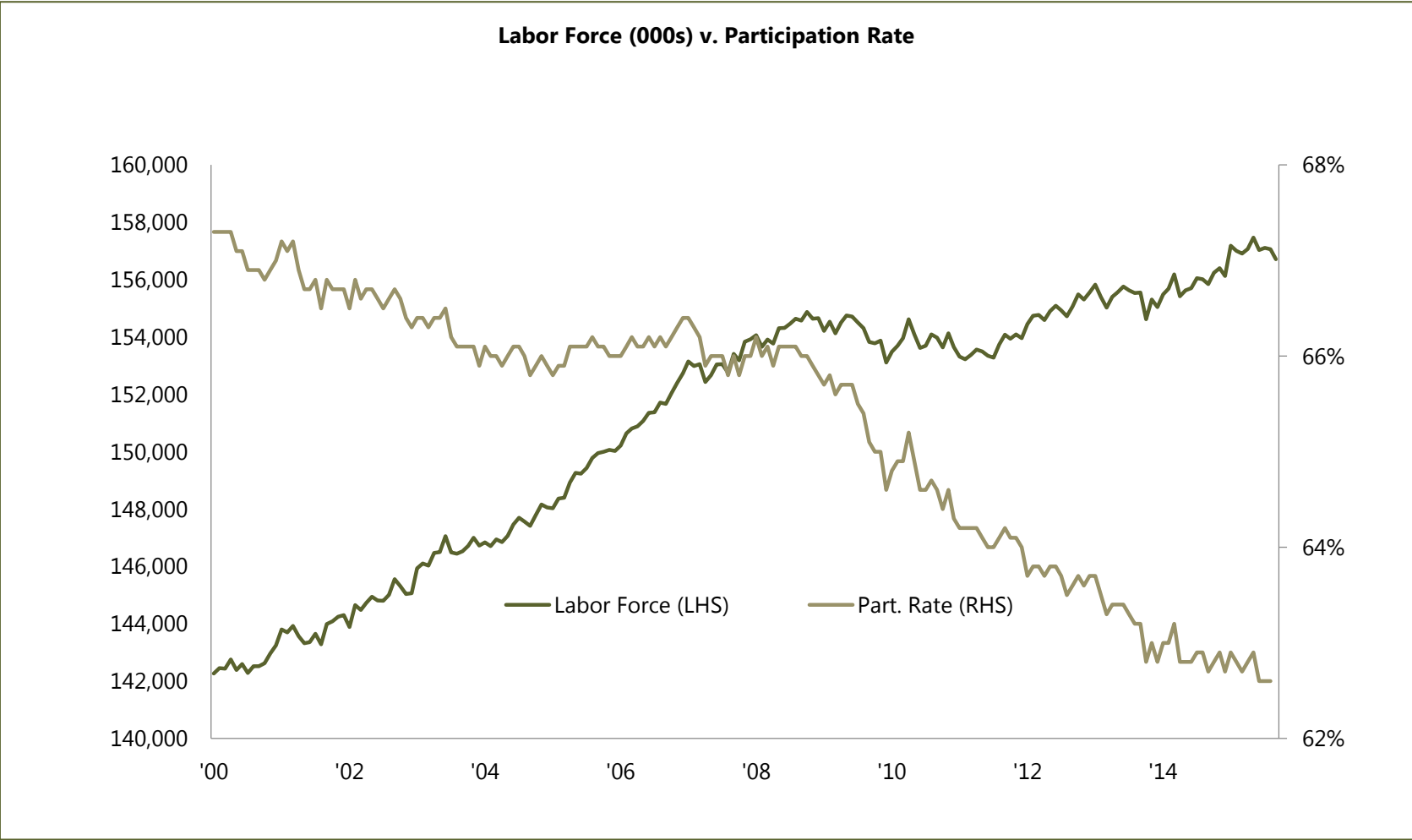
Labor Market Conditions

Wages continue to grow at a 2% pace. Without acceleration of wage growth, it will be difficult for the U.S. to achieve a meaningful increase in inflation.



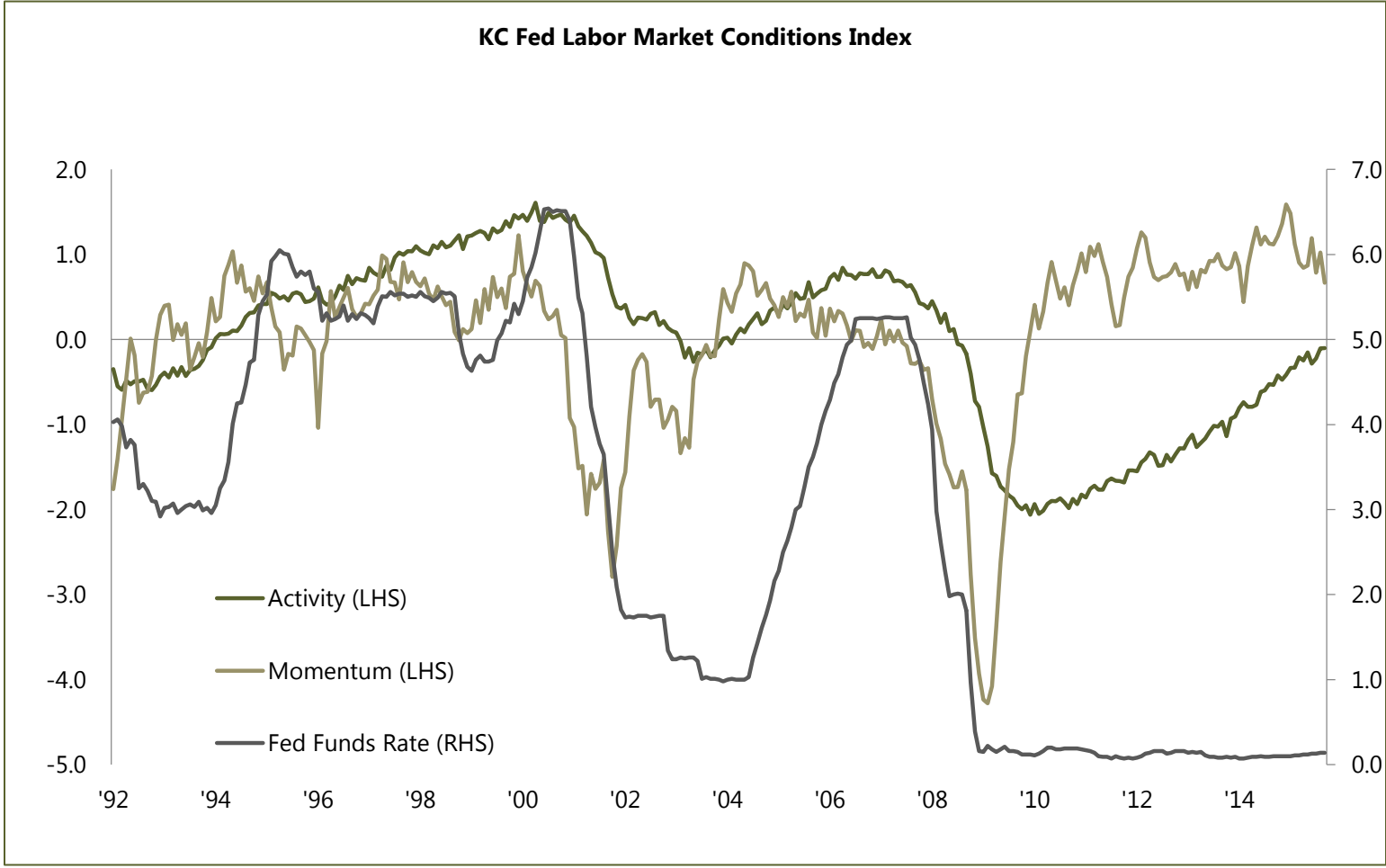
Labor Market Conditions

Both the Labor Force Size and Labor Force Participation Rate fell this quarter, causing the headline Unemployment rate to decline without adding many new jobs. The LFPR will continue to be a factor towards substantial wage growth.



Kansas City Fed Labor Market Conditions Index

Labor market activity continued to grow through this past quarter. However, labor market momentum continues to fall towards its long term average. The value 0 on the LHS indicates the long term average for both activity and momentum indices.



Fed Funds Futures Point to Q1 2016 for Liftoff

With only a 16% implied chance of a rate hike in October, the focus turns to December with a 41.2% probability; however, Q1 2016 looks more likely to be in play.

Meeting	Probability of Move	0-0.25	0.25-0.5	0.5-0.75	0.75-1	1-1.25	1.25-1.5	1.5-1.75
10/28/2015	16.0%	84.0%	16.0%	--	--	--	--	--
12/16/2015	41.2%	58.8%	36.4%	4.8%	--	--	--	--
1/27/2016	48.3%	51.7%	39.1%	8.6%	0.6%	--	--	--
3/16/2016	63.8%	36.2%	42.9%	17.7%	3.0%	0.2%	--	--
4/27/2016	67.4%	32.6%	42.2%	20.3%	4.5%	0.5%	0.0%	--
6/15/2016	77.8%	22.2%	39.1%	27.3%	9.5%	1.7%	0.2%	0.0%
7/27/2016	80.0%	20.0%	37.4%	28.5%	11.3%	2.5%	0.3%	0.0%
9/21/2016	85.6%	14.4%	32.5%	31.0%	16.1%	5.0%	0.9%	0.1%
11/2/2016	89.8%	10.2%	27.3%	31.4%	20.4%	8.2%	2.1%	0.3%
12/14/2016	92.4%	7.6%	23.0%	30.4%	23.2%	11.3%	3.6%	0.8%

GDP Forecasts

While many Supranational Institutions converge in respect towards Eurozone and Chinese GDP growth, a wide disparity remains for U.S. GDP forecasts.

USA	2014	2015	2016	2017
IMF	2.4%	2.6%	2.8%	2.7%
FED	2.4%	2.1%	2.3%	2.2%
OECD	2.4%	2.4%	2.6%	--
WOB	2.4%	2.7%	2.8%	2.4%
EC	2.4%	3.1%	3.0%	--

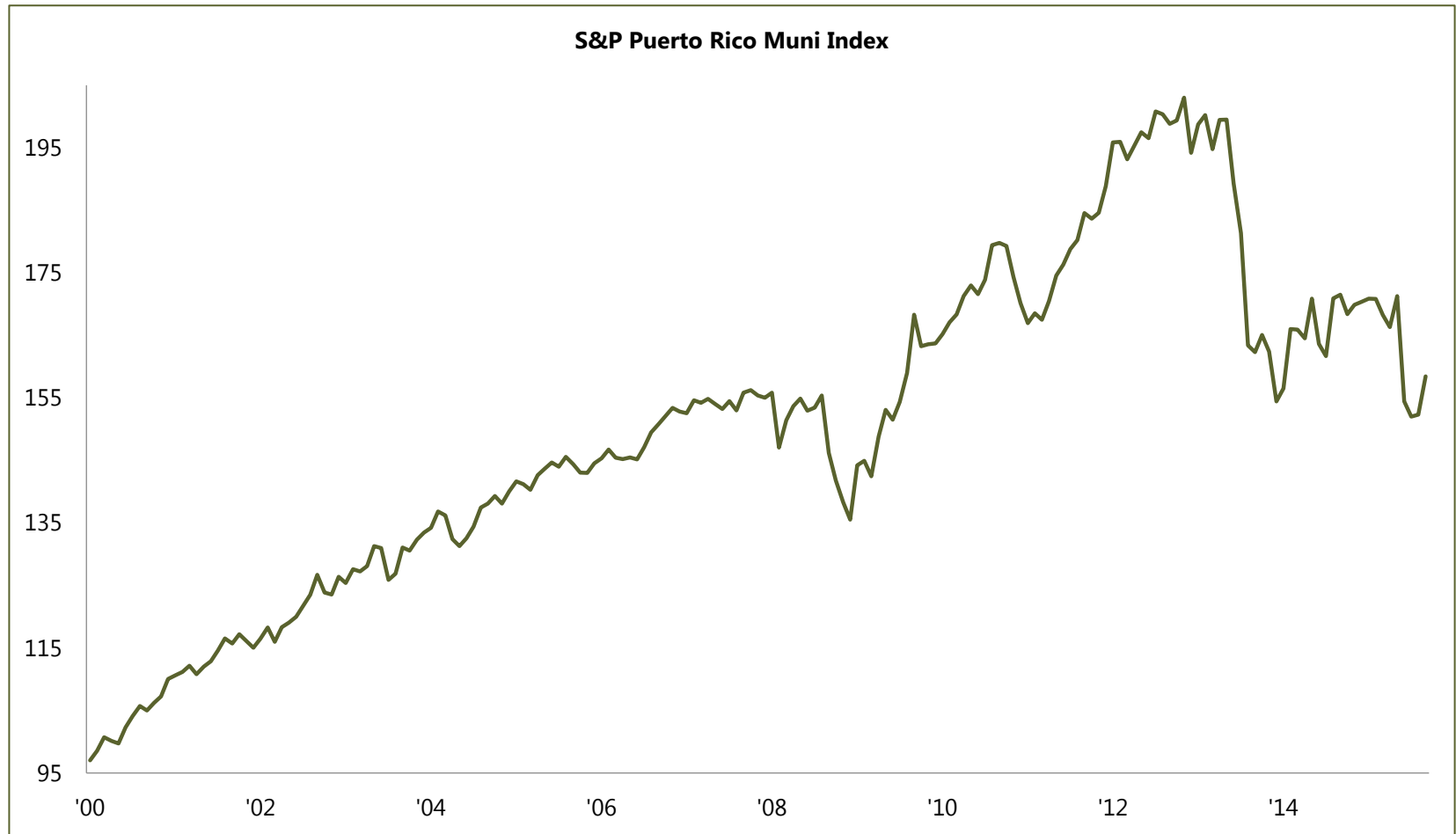
Eurozone	2014	2015	2016	2017
ECB	0.9%	1.4%	1.7%	1.8%
EC	0.9%	1.5%	1.9%	--
OECD	0.9%	1.6%	1.9%	--
IMF	0.9%	1.5%	1.6%	1.6%

China	2014	2015	2016	2017
NPC	7.3%	7.0%	--	--
ADB	7.3%	6.8%	6.7%	--
OEC	7.3%	6.7%	6.5%	--
IMF	7.3%	6.8%	6.3%	6.0%
WOB	7.3%	6.9%	6.7%	6.5%

Emerg Mkts	2014	2015	2016	2017
CC	4.6%	4.1%	4.9%	5.1%
BRIC	2014	2015	2016	2017
CC	5.2%	4.7%	5.5%	5.7%

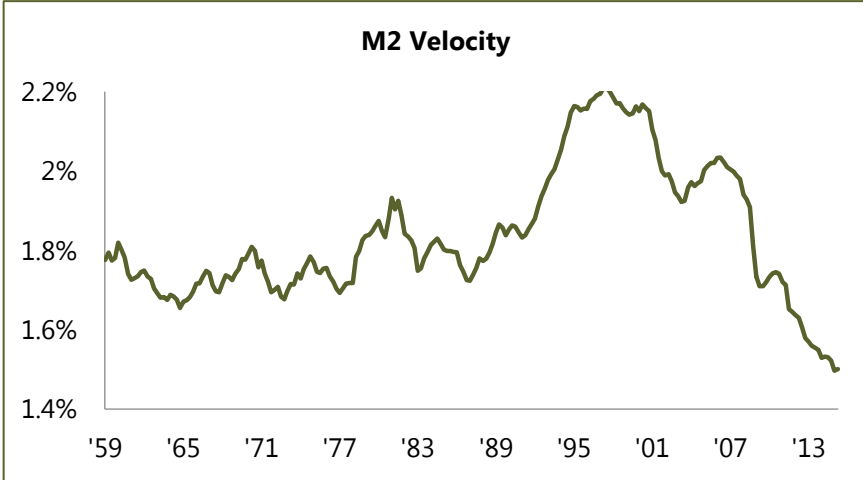
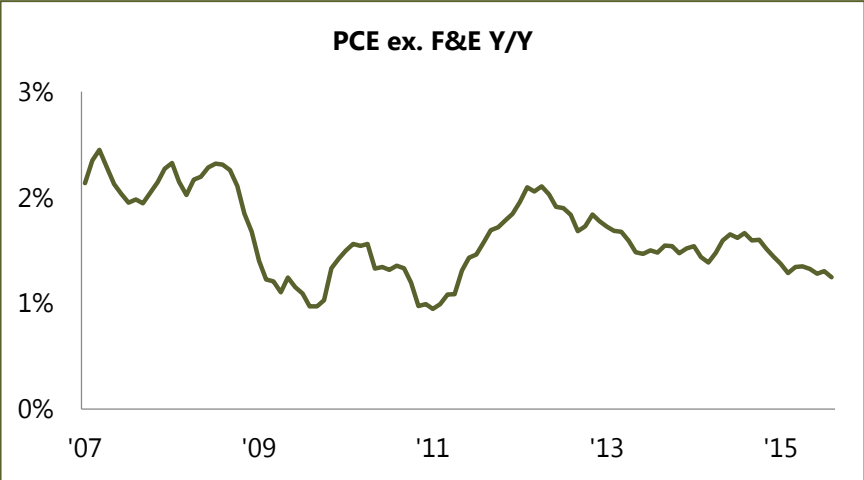
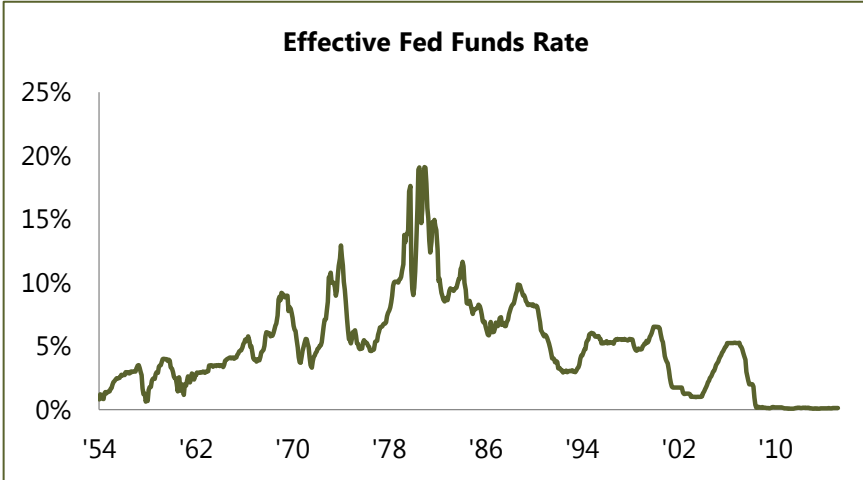
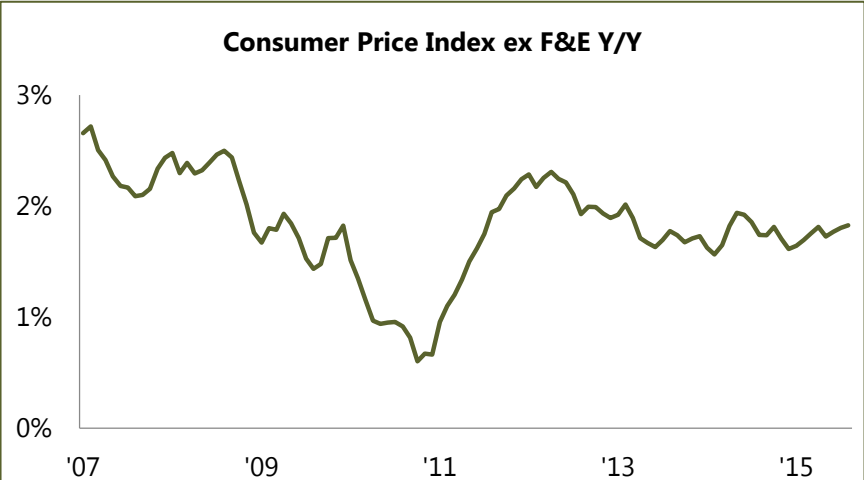
Monitoring Puerto Rico for a Credit Crisis

The S&P Puerto Rico municipal bond index rose +2.6% during the quarter; however, risks surrounding insolvency and the legal issues related to bankruptcy proceedings remain high.



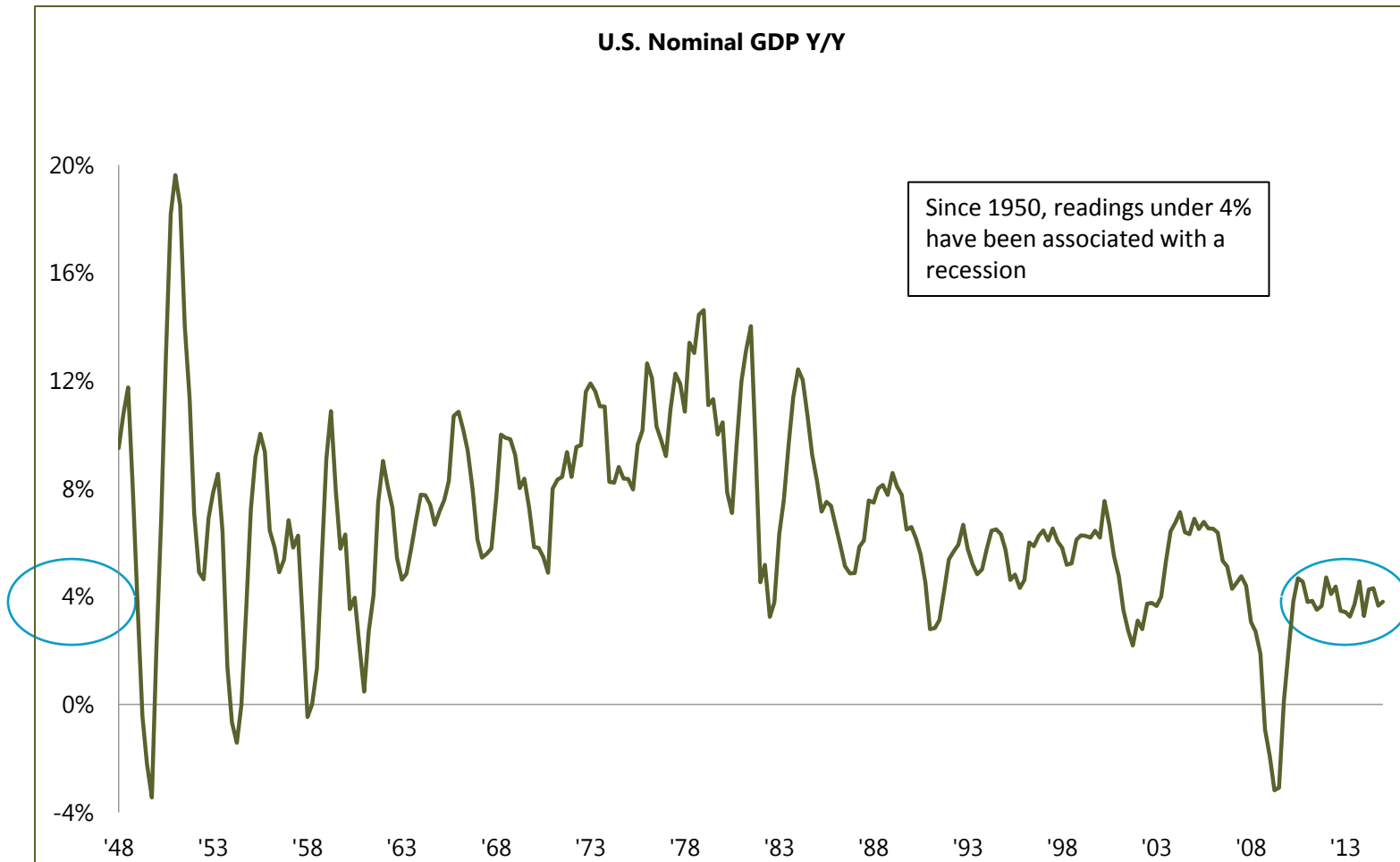
Inflation a Non-Issue

Lower commodity prices have increased deflationary worries around the globe. The Fed will continue to look at inflation numbers to indicate when a possible rise in rates could occur.



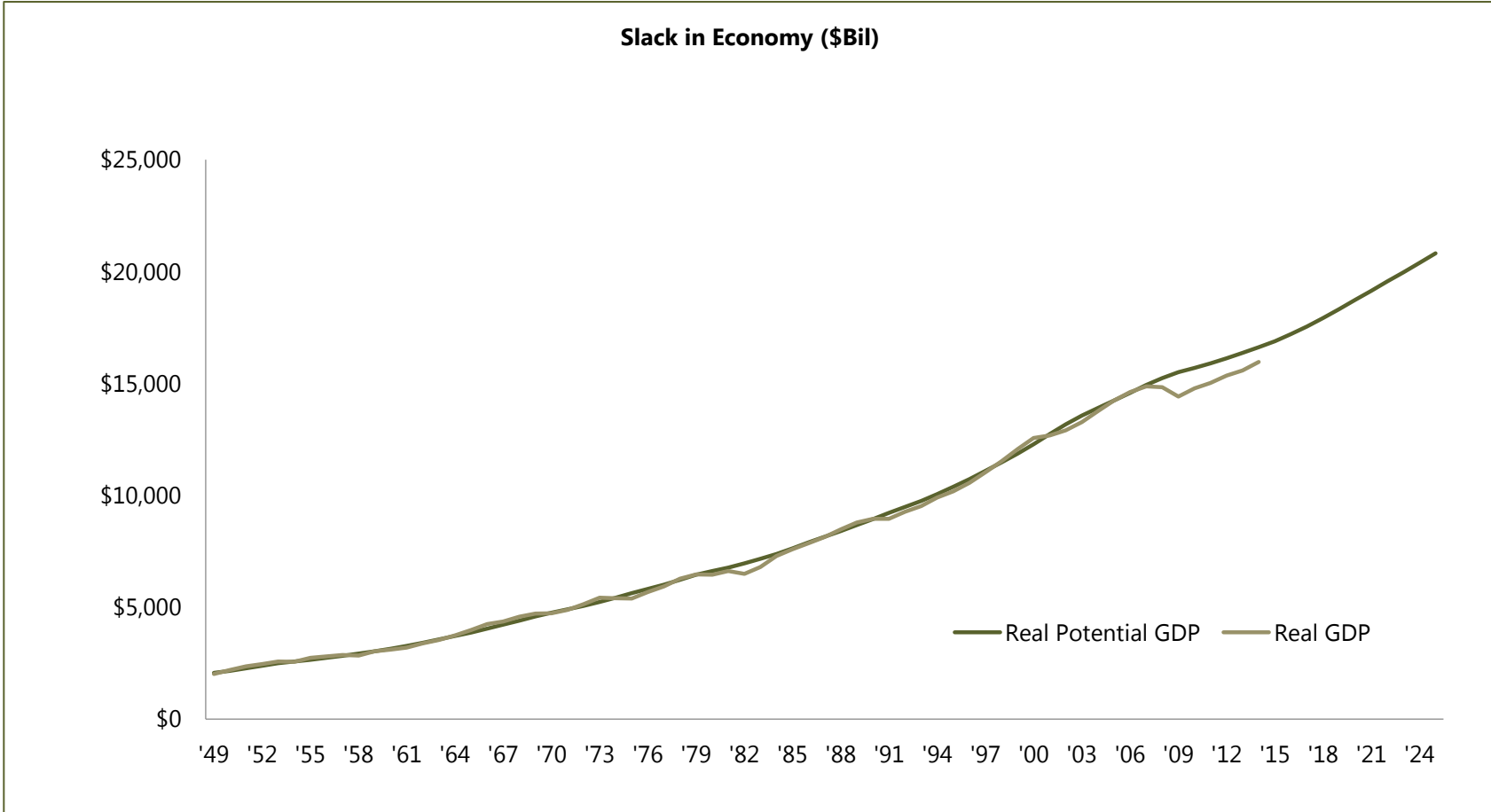
Nominal GDP Remains Weak

Q3 GDP rose at a +3.9% YoY rate, supported by stronger consumer spending. A resilient consumer grew consumption from 3.1% YoY in 2Q15 to 3.6% YoY in 3Q15.



Slack in Economy?

Part of the reason for the Fed's reluctance to raise interest rates stems from the perceived "slack" in the US economy. We need to close this gap before monetary policy can be tightened.



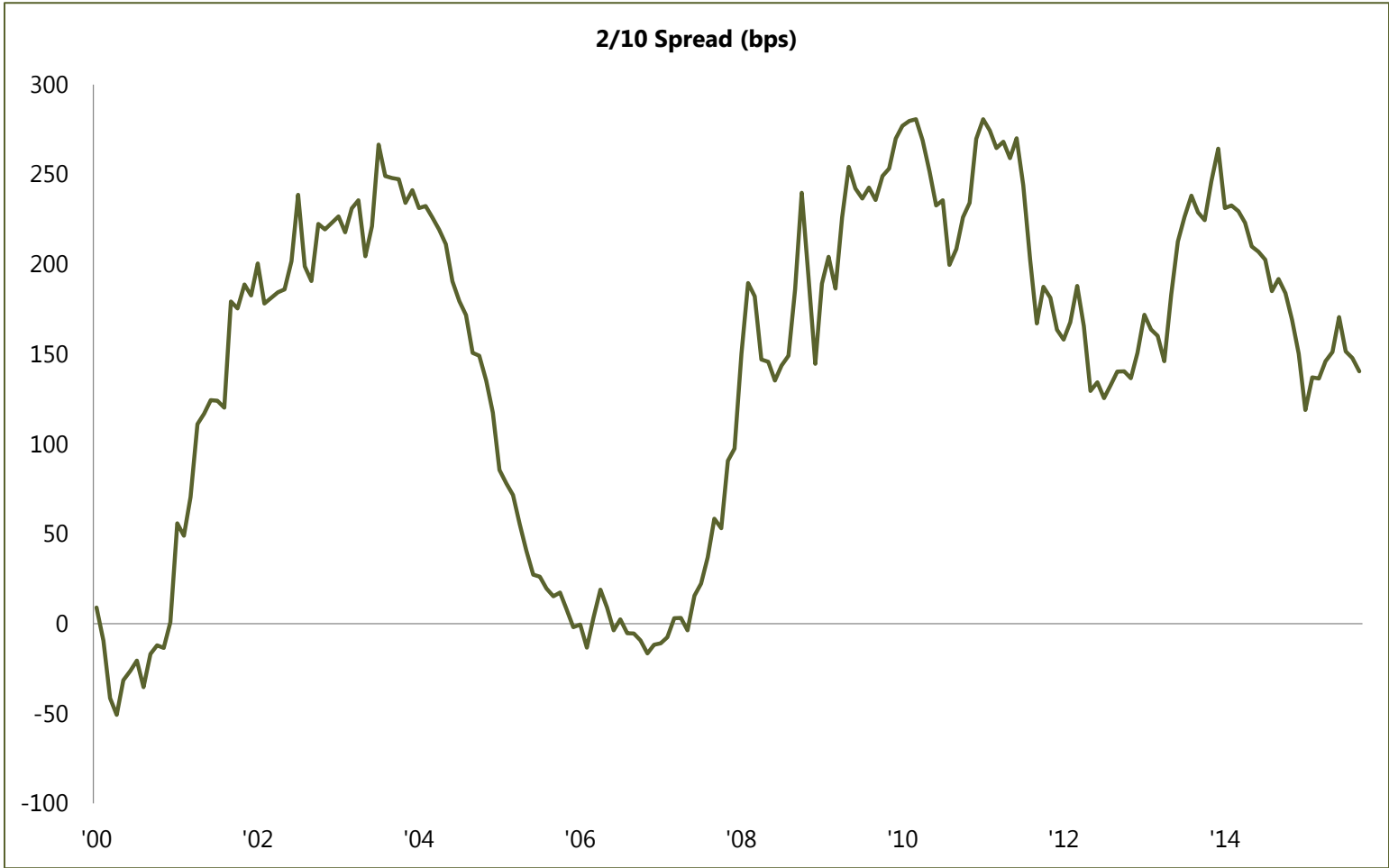
Forward Breakeven Inflation Expectations

The 5yr, 5yr Forward Breakeven Inflation Rate illustrates what the market predicts the average 5 year inflation rate will be starting 5 years from now. Last quarter indicated a continued trend of depressed inflation expectations.



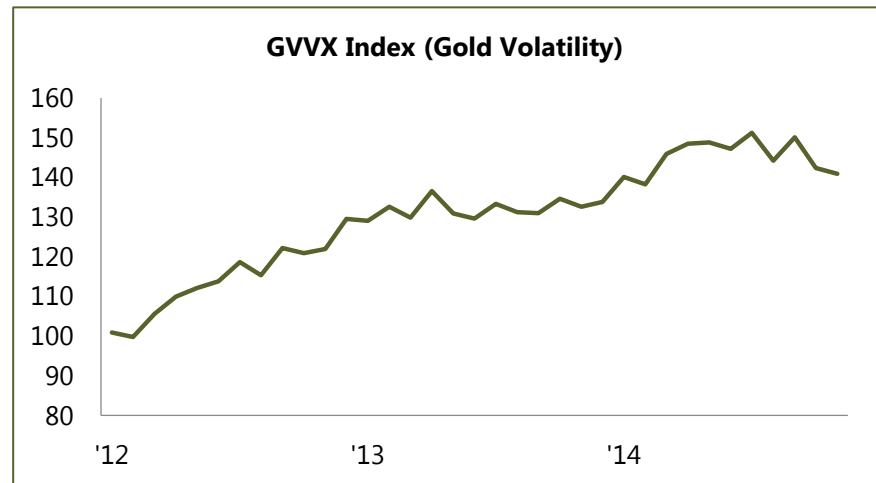
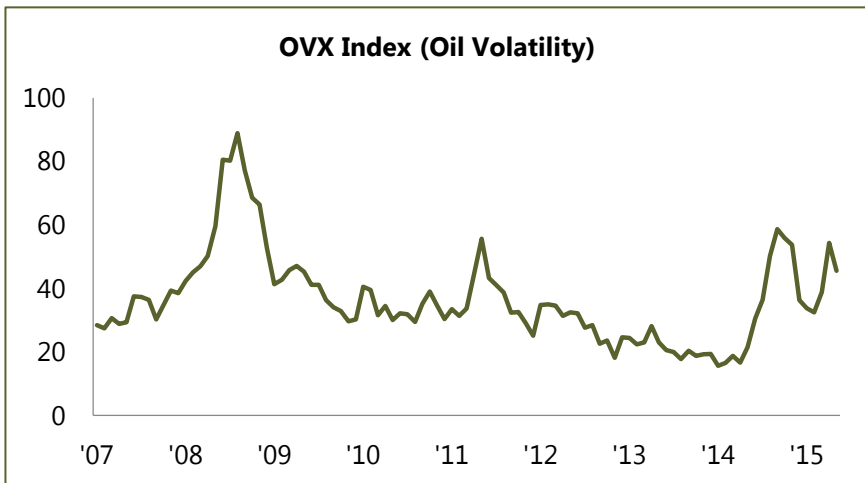
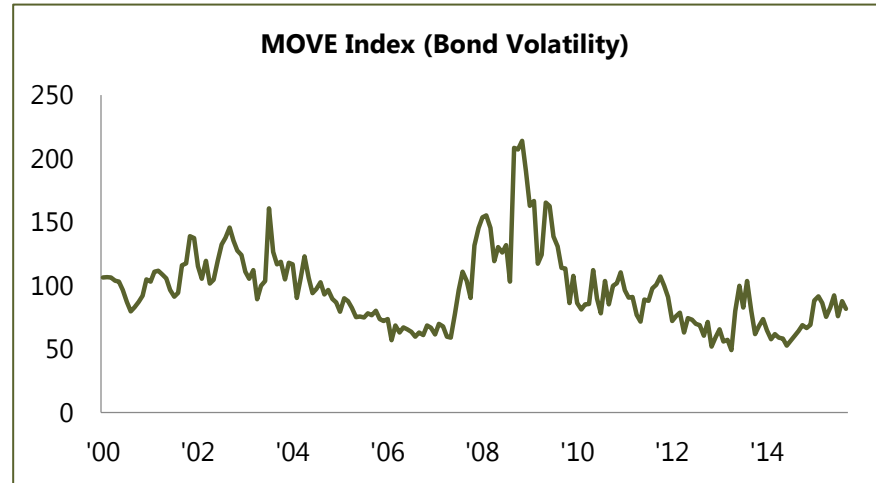
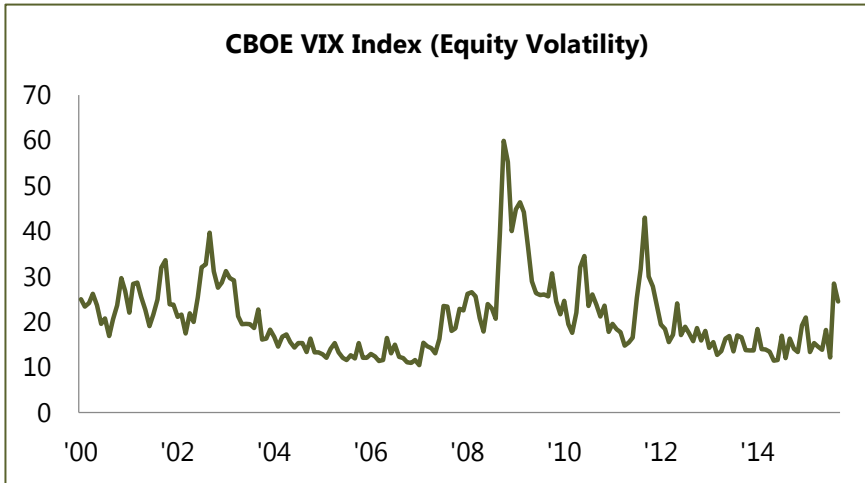
2/10 Spread (Bear Flattener Continues)

Inflation remains muted while the Fed's "liftoff" date remains uncertain. A "Bear Flattener" indicates a rise in short term interest rates to level the yield curve. The curve flattening trend is likely to continue.



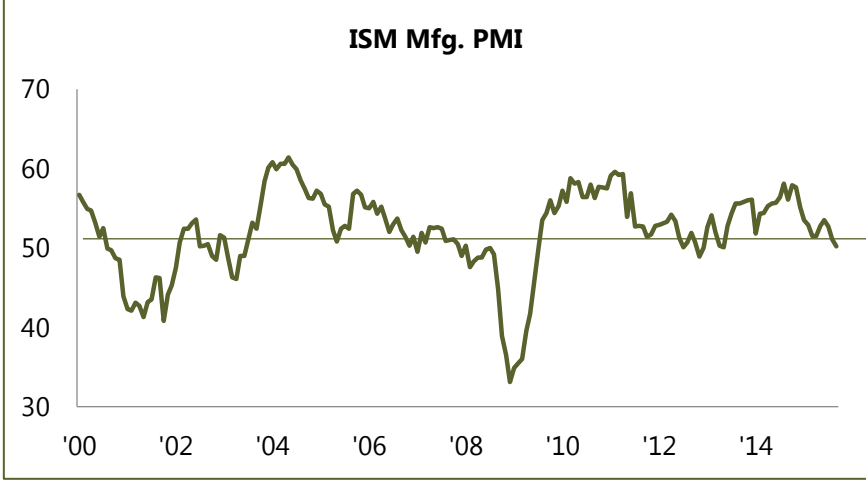
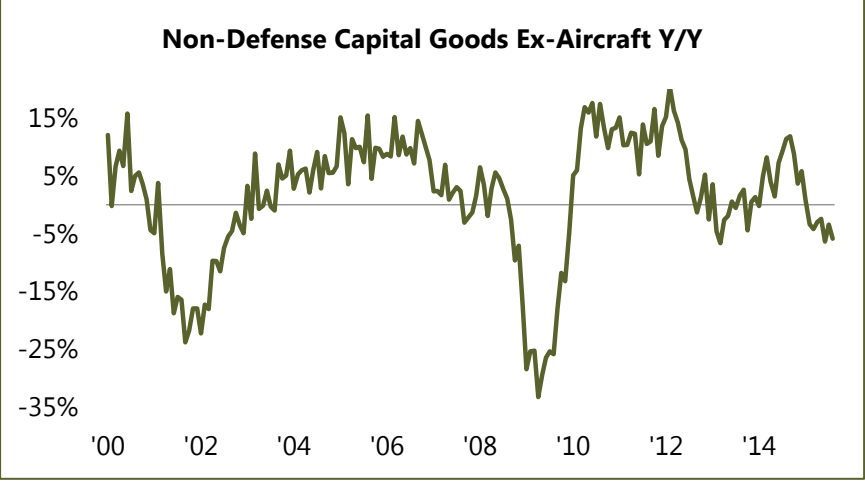
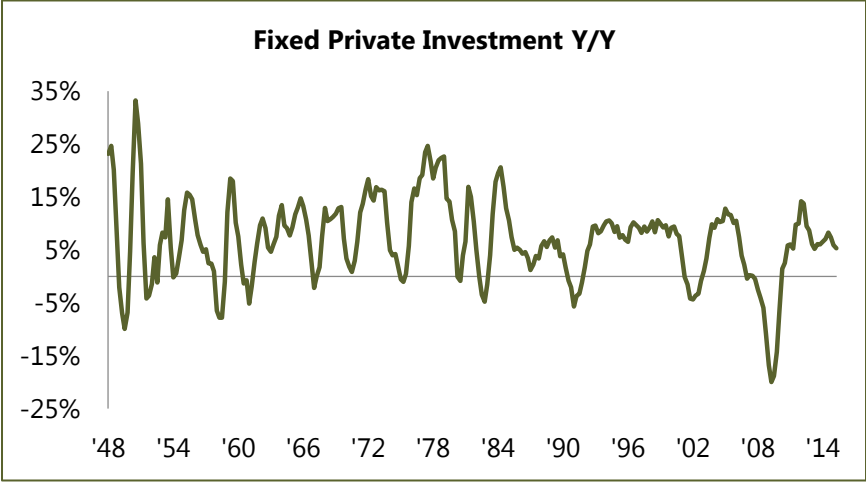
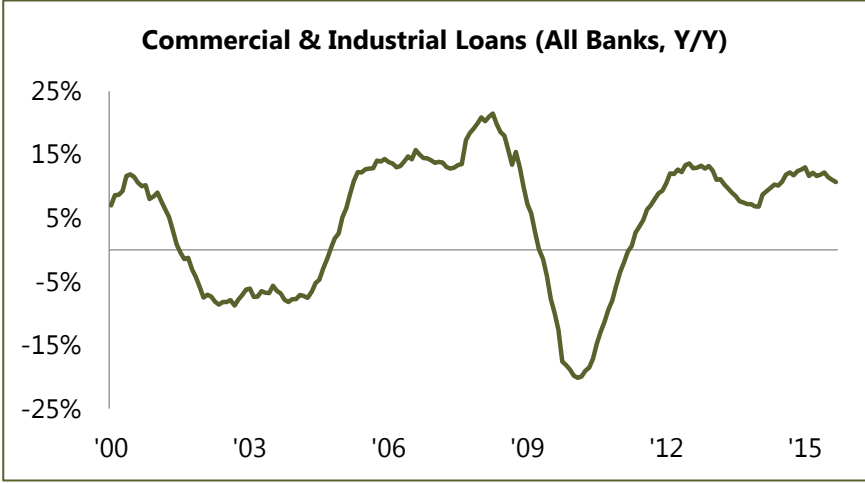
Volatility Monitor

Chinese Equity Markets, a cautious and hesitant Fed, and currency devaluations contributed to heightened equity market volatility this past quarter. U.S. Central bank policy continues to diverge from foreign counterparts.



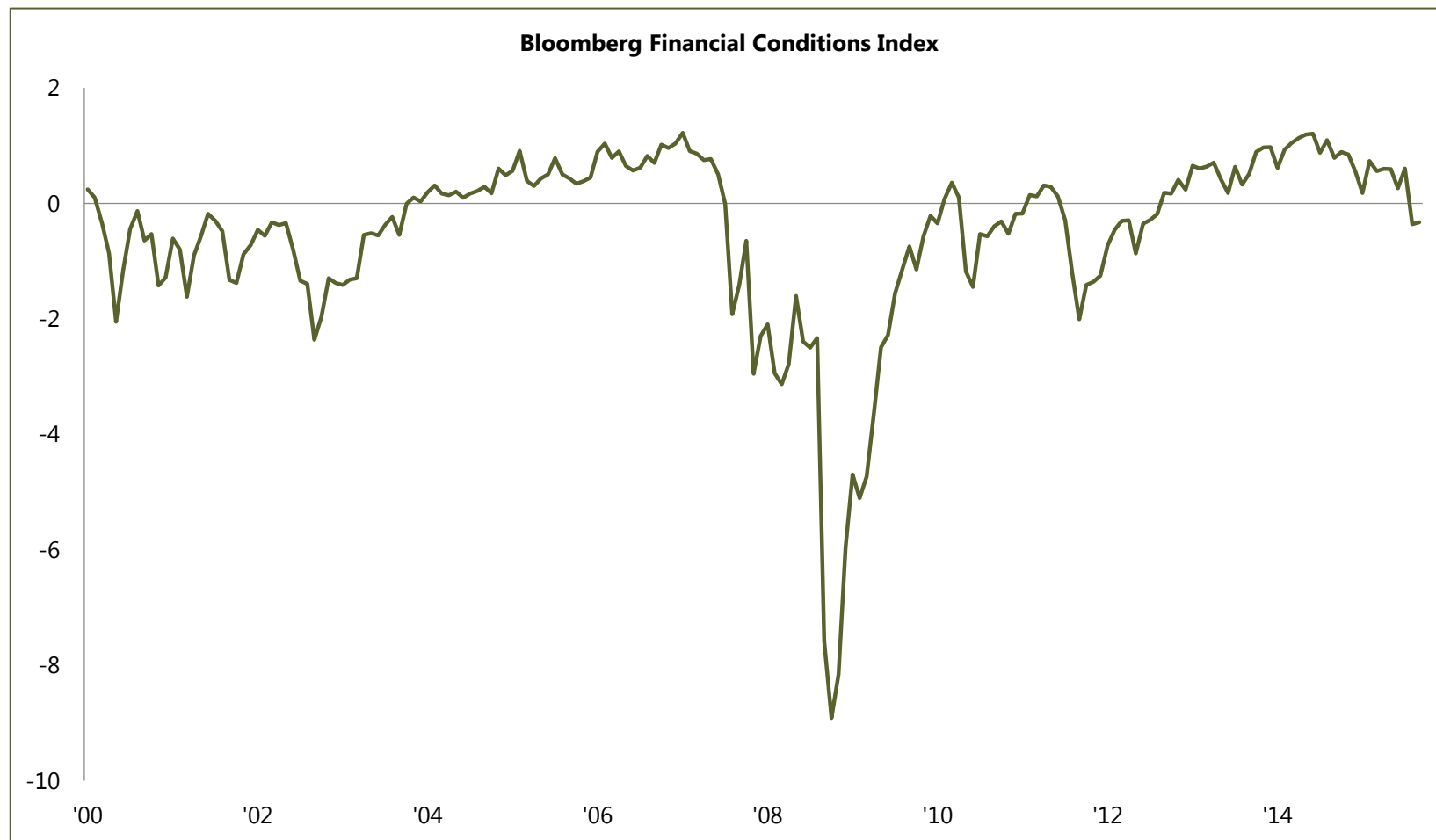
Key Economic Indicators

The U.S. economy is currently growing at a 2% annualized rate despite increased bank lending and low unemployment. A rising US dollar, coupled with lower global growth projections, continue to push U.S. CAPEX and PMIs lower.



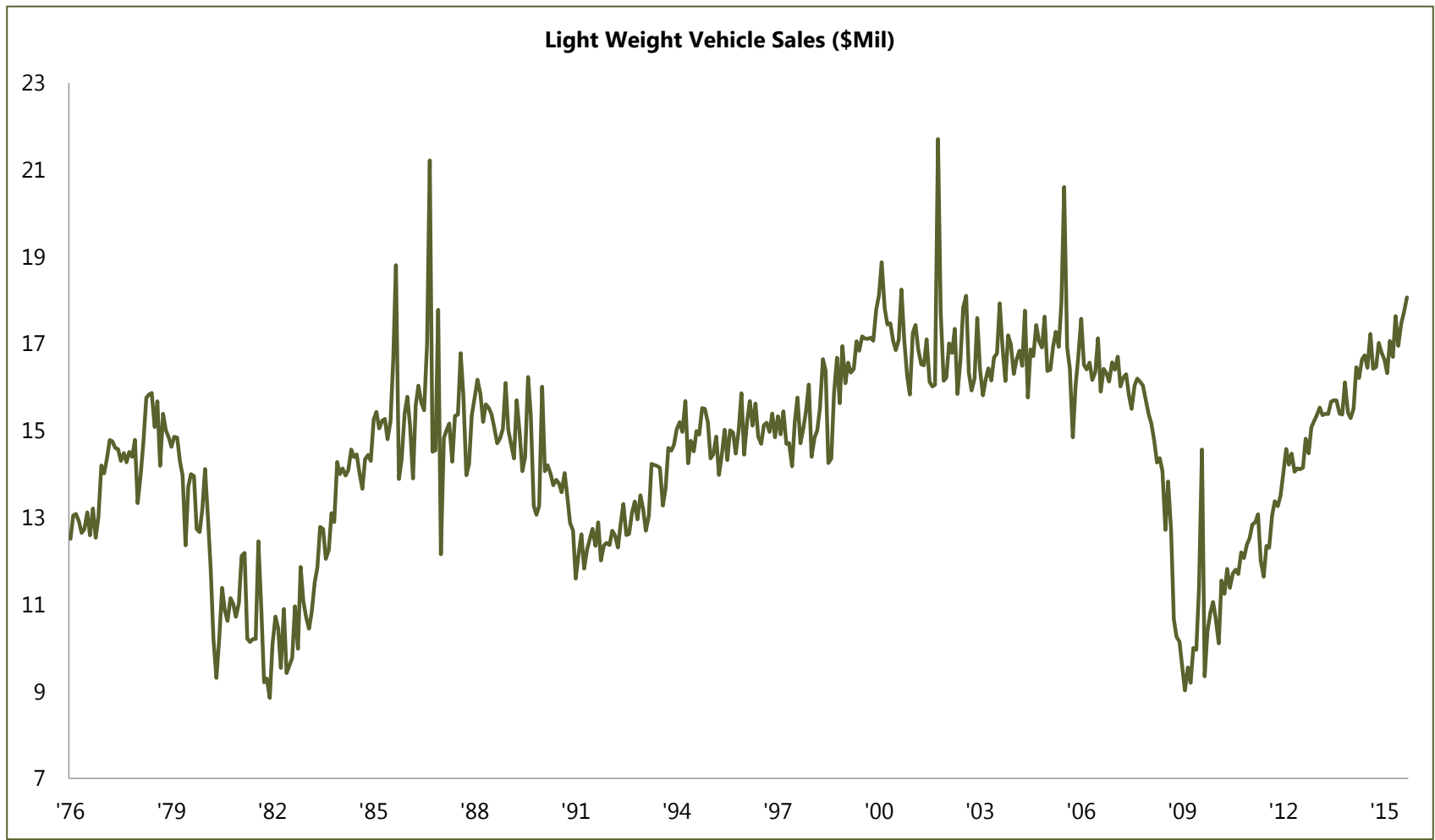
Key Economic Indicators

The overall availability and cost of credit have tightened in recent months. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms (1994-2008).



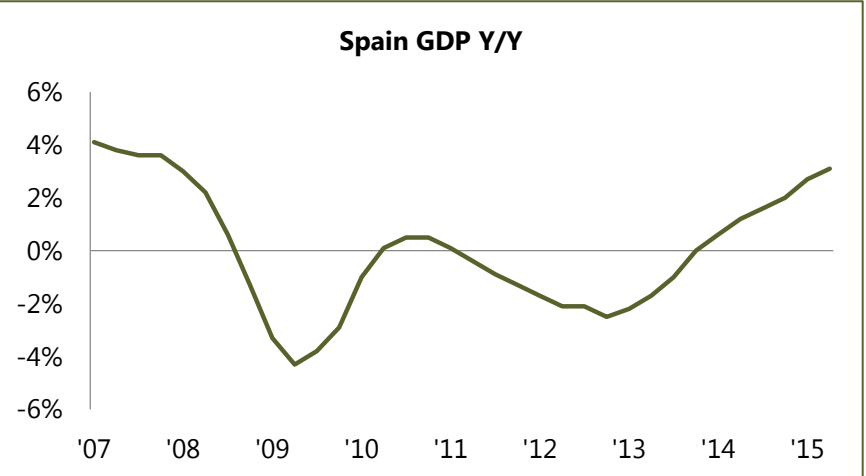
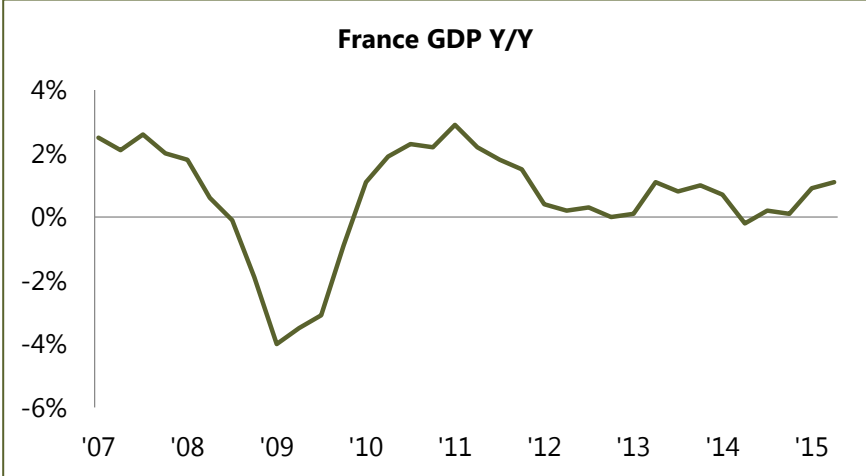
Auto Sales

Auto Sales have rebounded sharply from the recession. As consumers benefit from lower gas prices, easier credit, and longer payment periods, the auto market continues to climb.



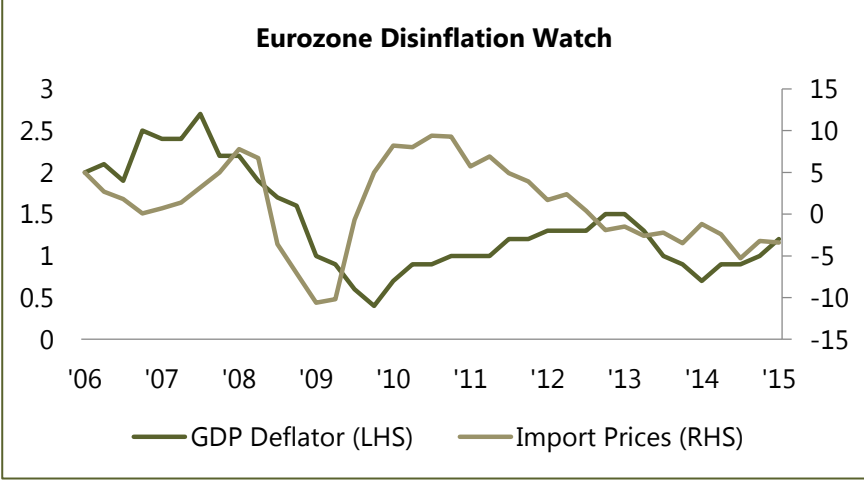
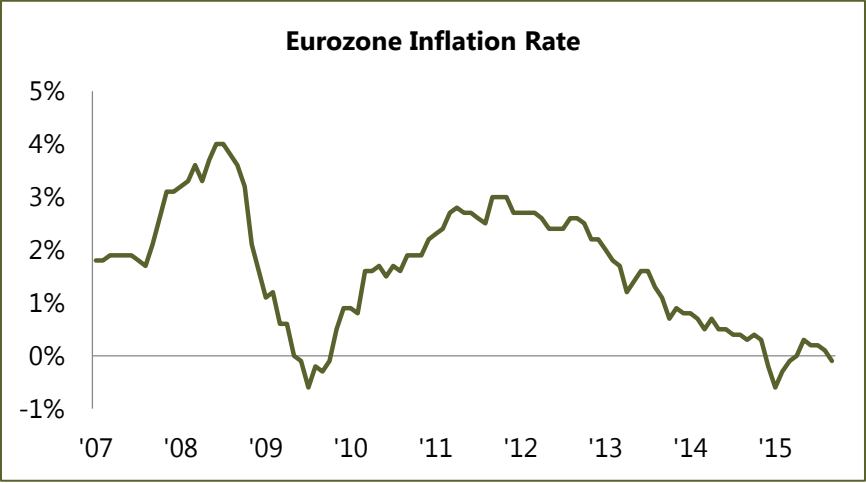
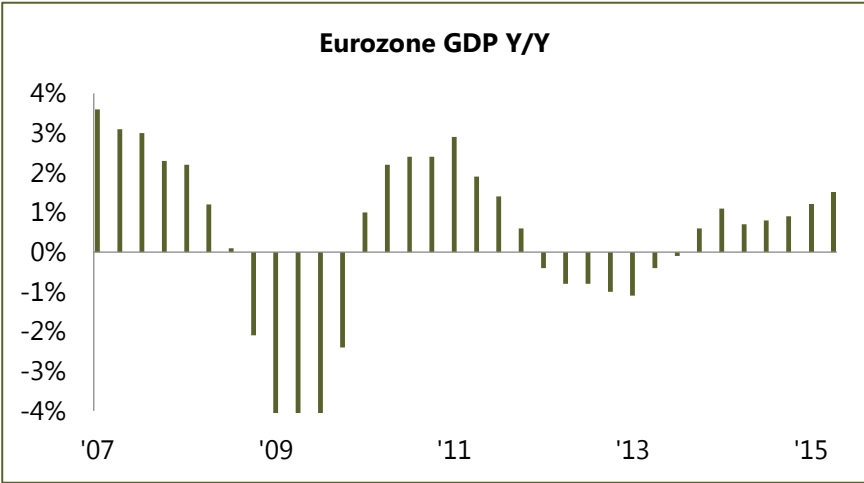
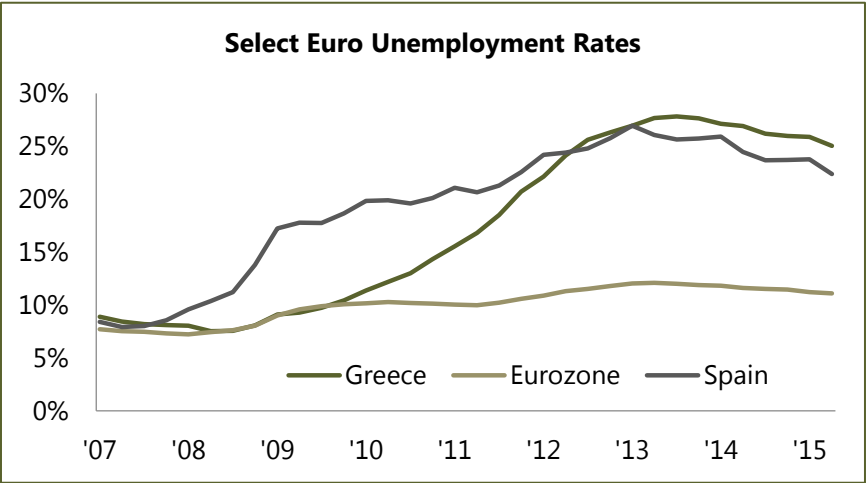
Eurozone GDP Growth Rates

The Eurozone continues to benefit from the ECB's large-scale quantitative easing program. Spain and Italy are growing their economies quickly towards their pre-recession growth levels.



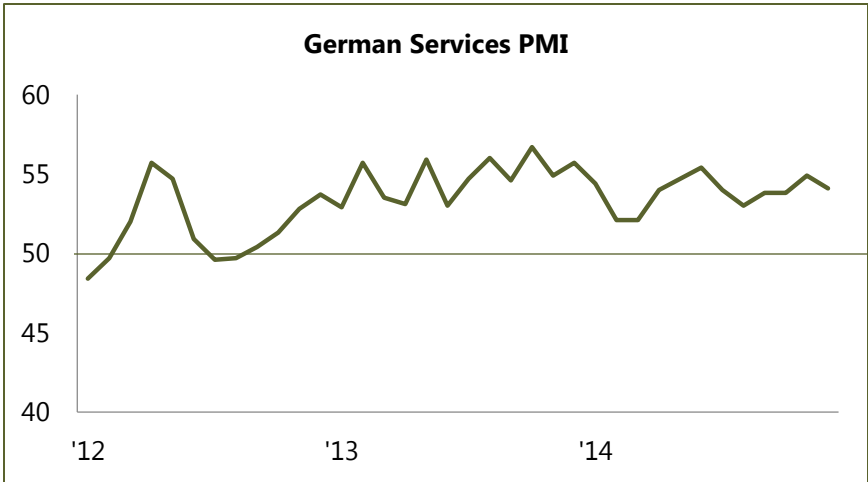
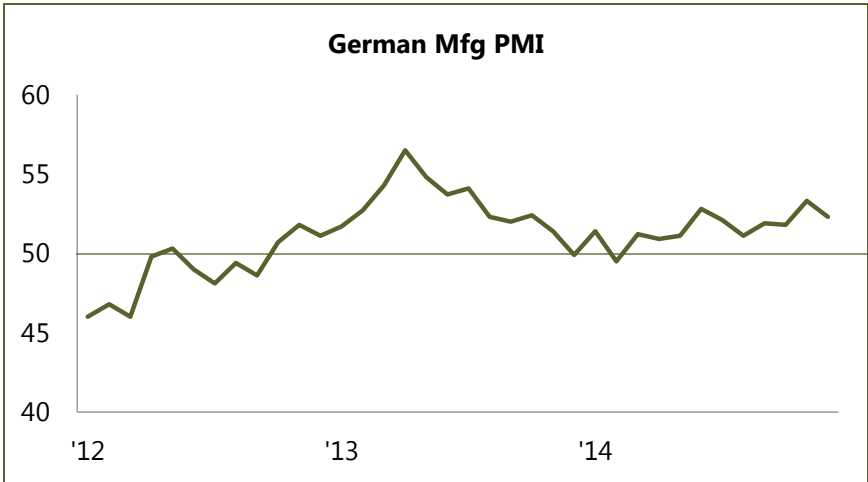
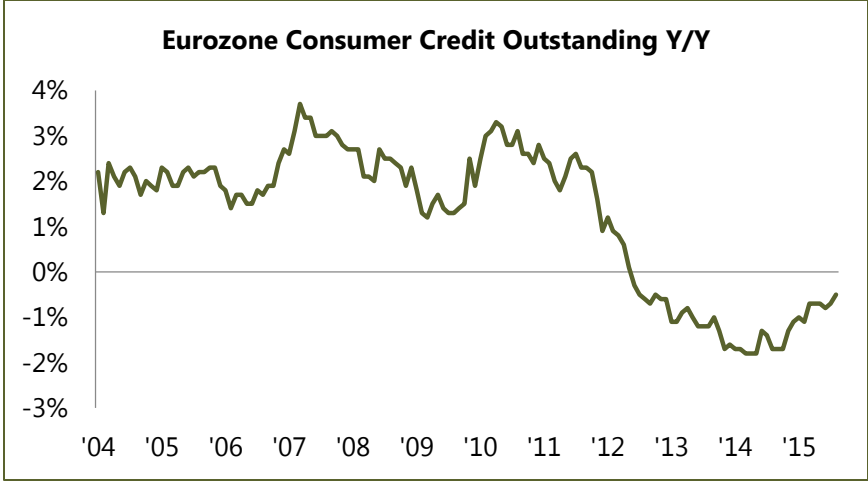
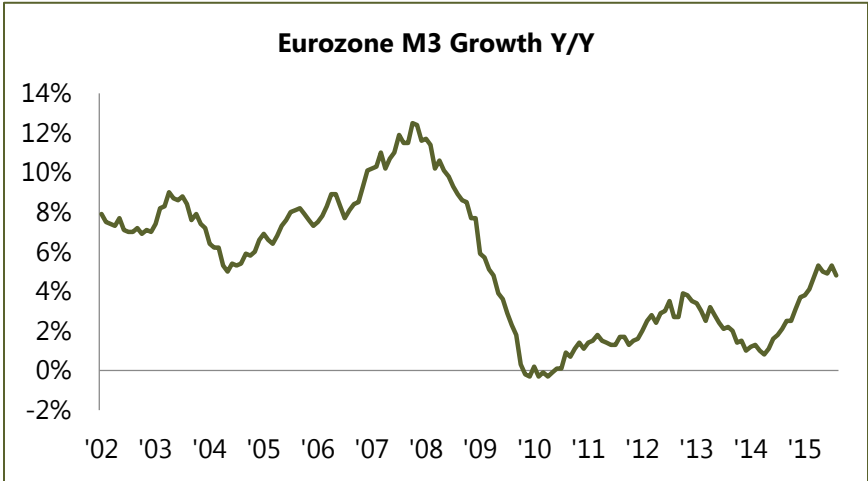
Eurozone

Expectations for increased quantitative easing in the Eurozone remain high as unemployment has stayed elevated and deflation concerns remain. GDP is expected to expand at a +1.5% annual rate in 2015, and only +1.6% in 2016.



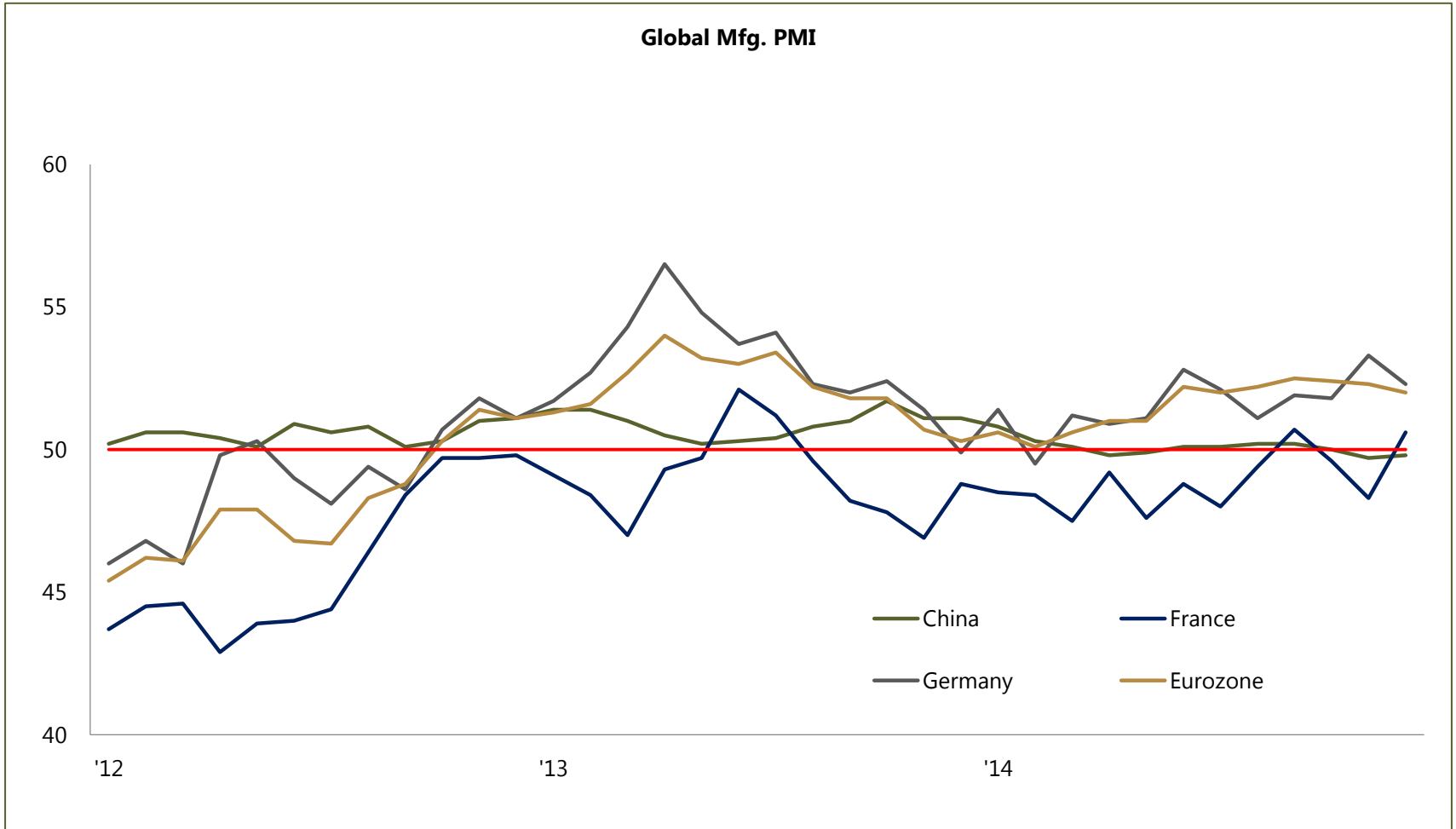
Eurozone

Eurozone M3 growth has flattened, while consumer credit continues to climb. Germany's PMIs have fallen off from last quarter.



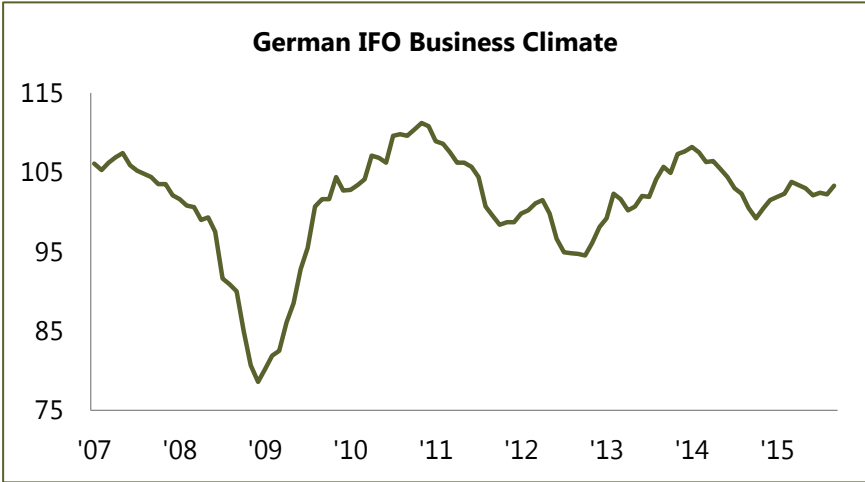
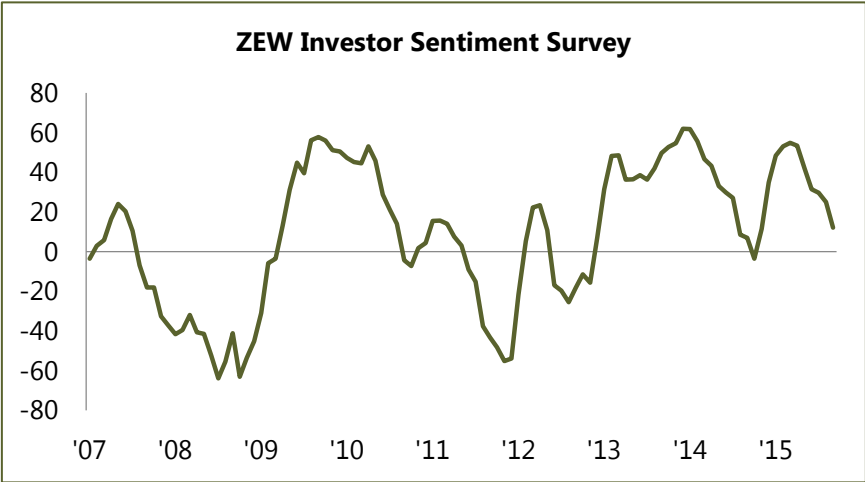
Global Mfg. PMI

Currencies became the headline headwind for Global PMIs. Recent data indicates a slowdown in Chinese manufacturing as the country focuses on increasing GDP through consumption.



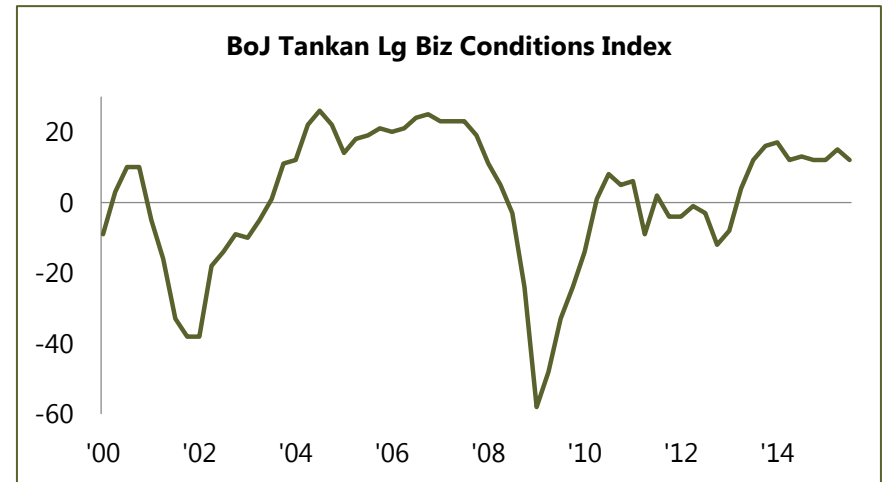
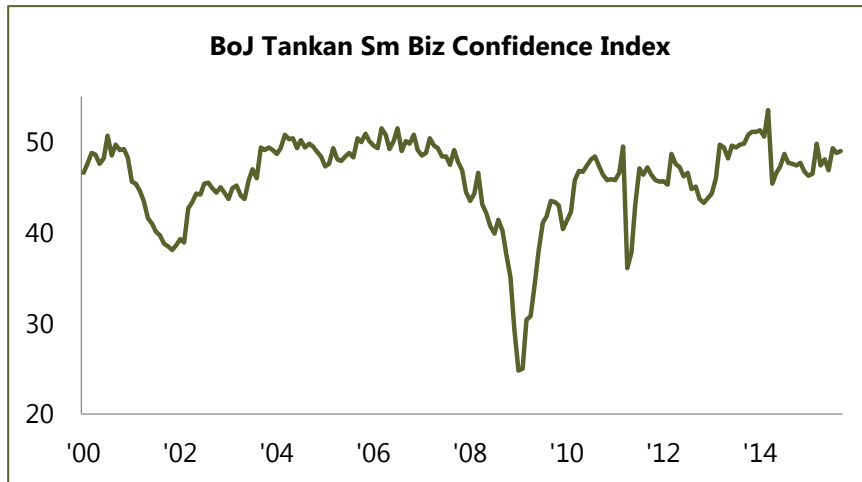
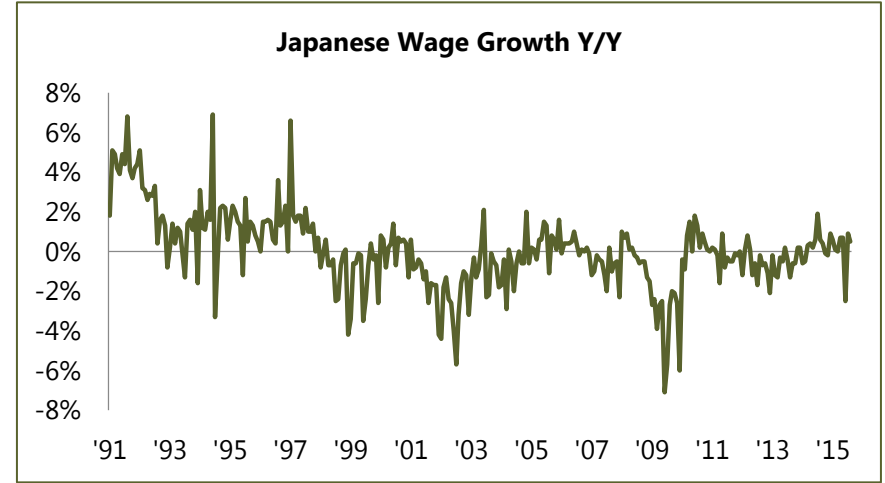
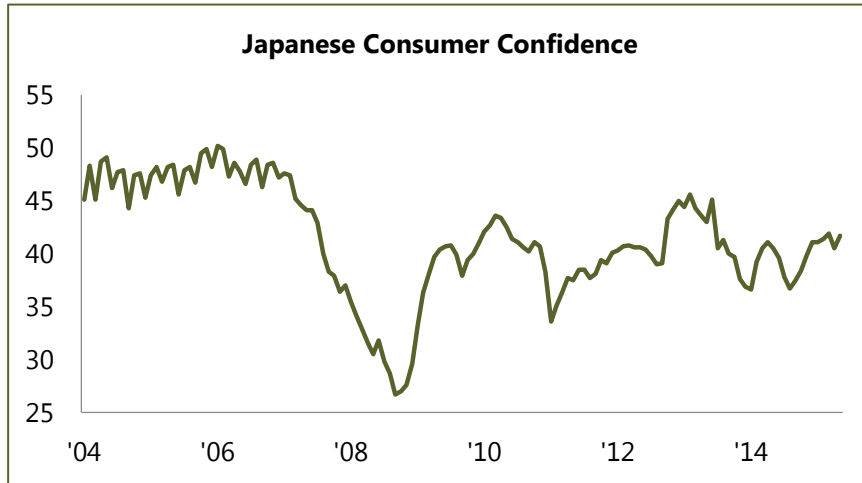
Germany

Germany, whose exports account for 45% of GDP, should continue to benefit from a depreciating Euro. However, global uncertainties, specifically surrounding China, have the ZEW Investor Sentiment Survey continuing to trend downwards.



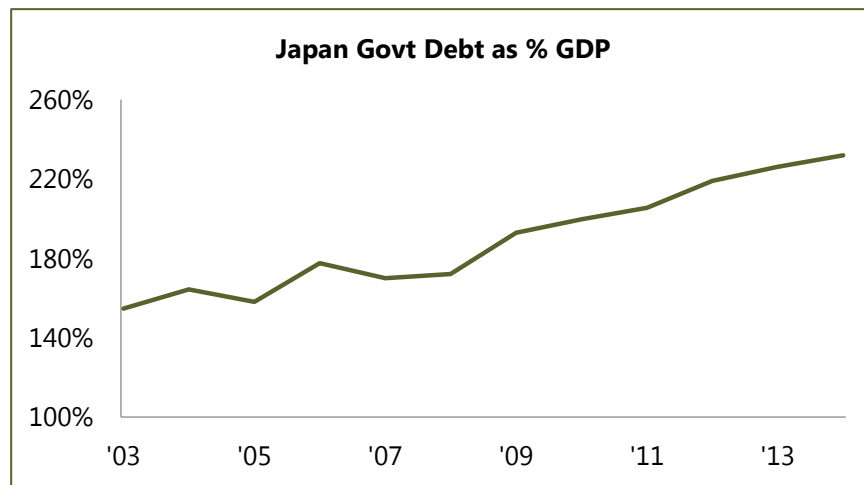
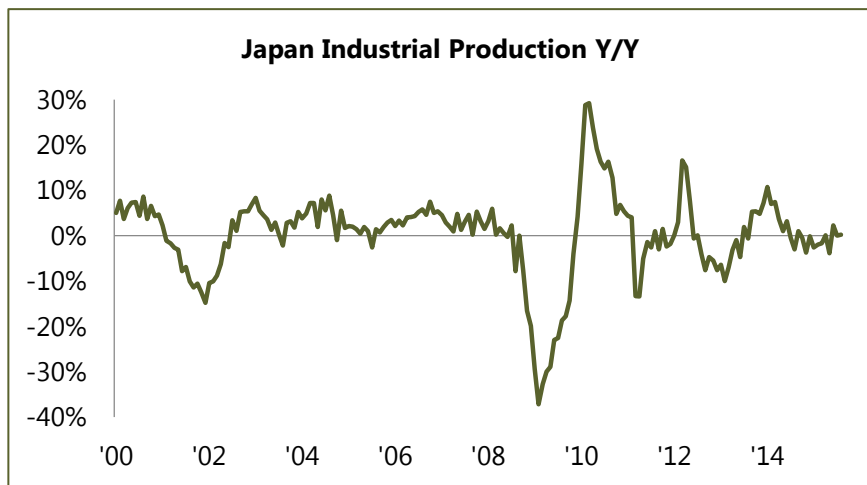
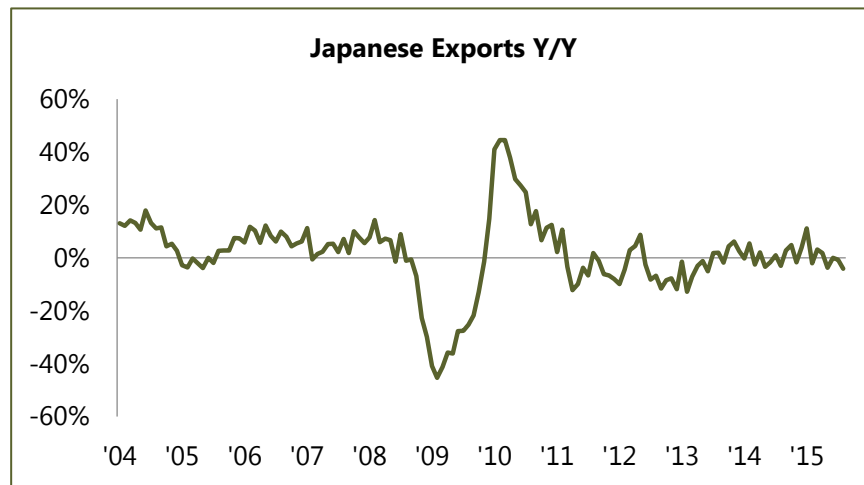
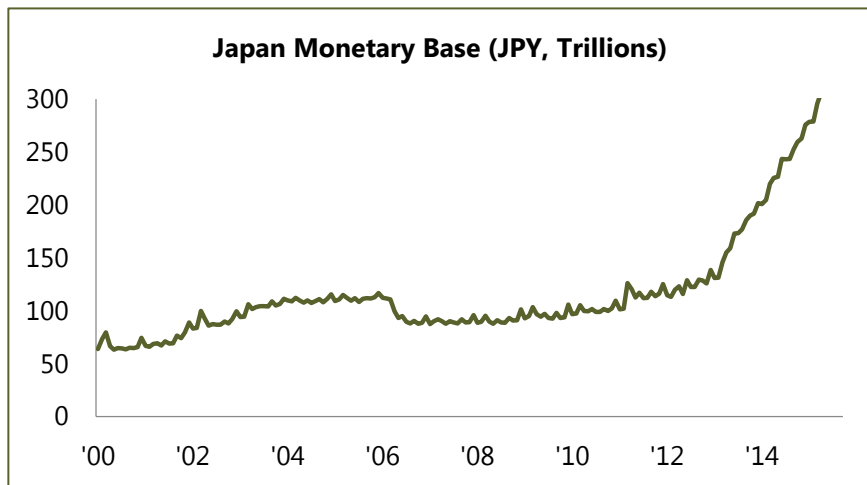
Tracking Abenomics

The Bank of Japan will meet for a one day policy meeting October 30, with market expectations signaling further easing. However, it remains to be seen whether wage growth can sustainably rise above +2% Y/Y, having failed to do so over the past two decades.



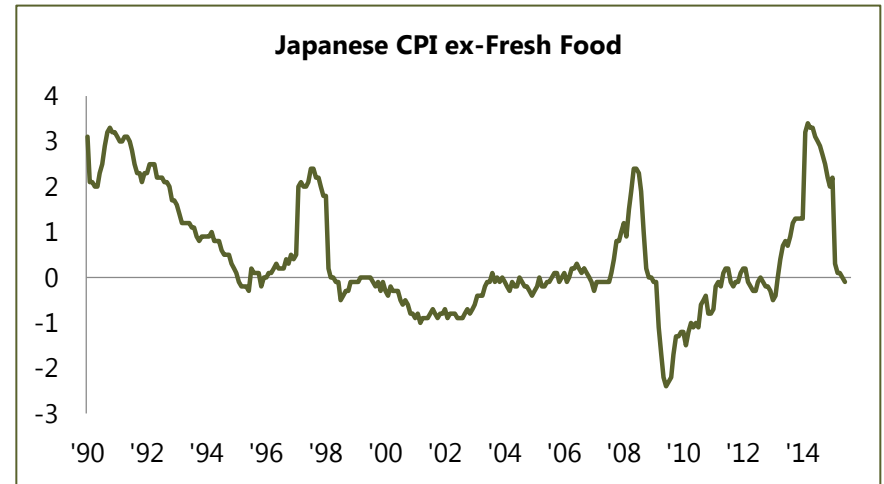
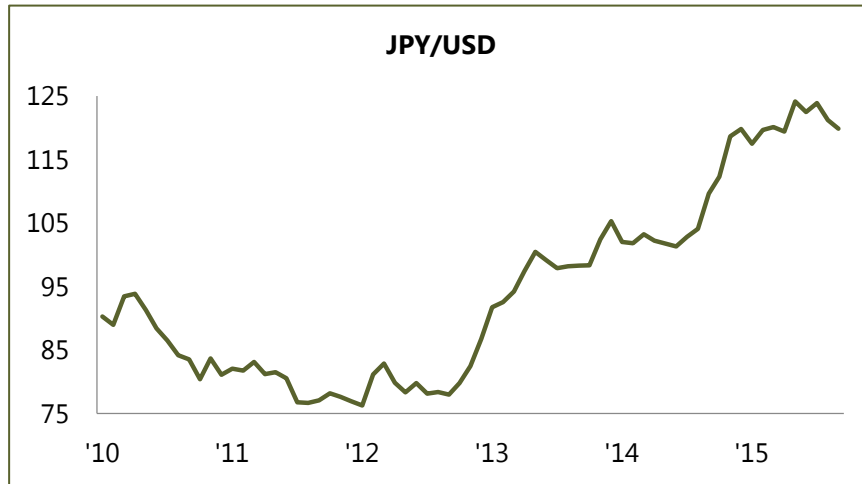
Japan

Japanese Debt propagates as the country pushes forward with their Quantitative Easing measure. Industrial production and export growth flattened over the past quarter, but the Monetary Base continues to skyrocket without any meaningful inflation.



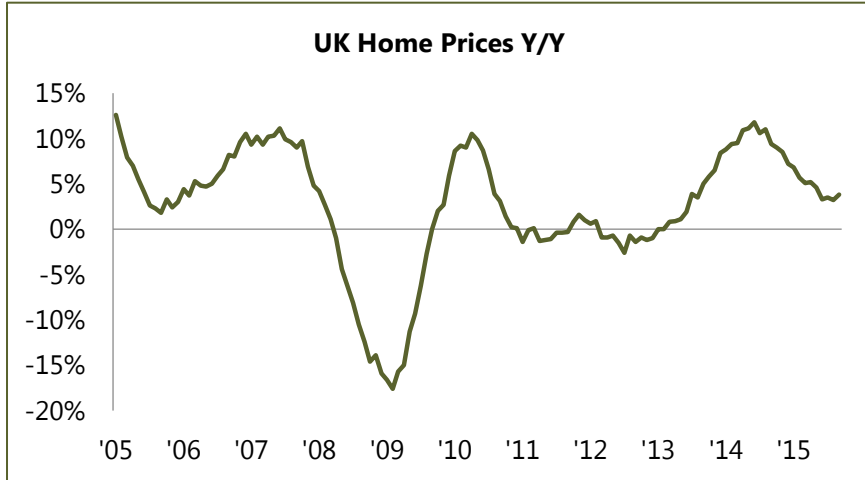
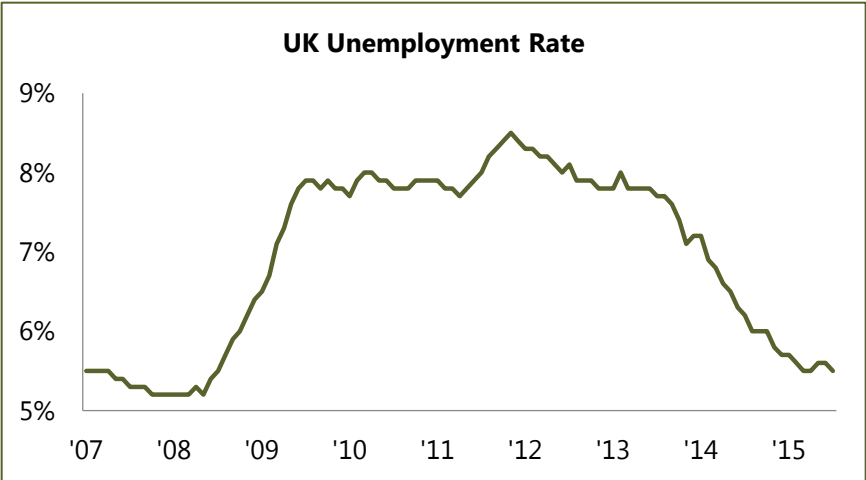
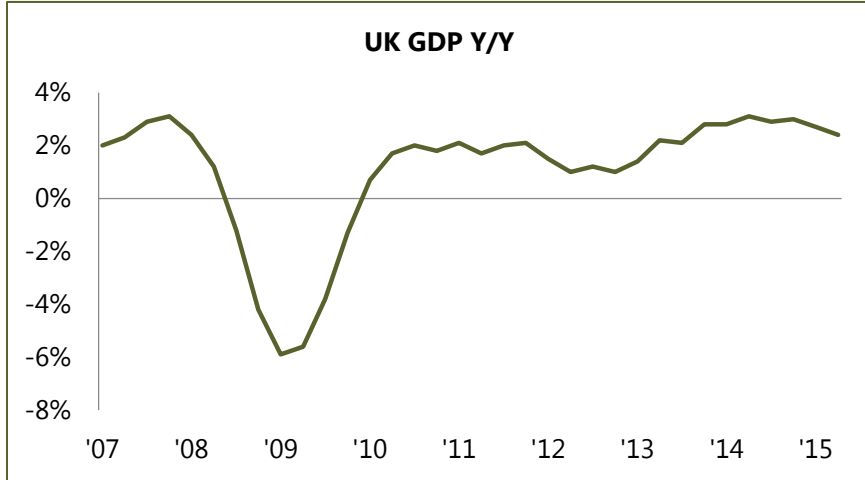
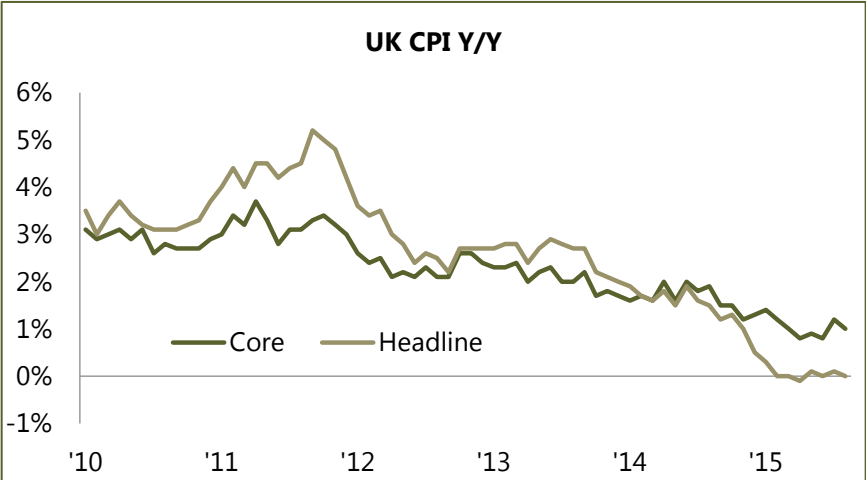
Yen Continues to Weaken

After weakening substantially versus the U.S. Dollar over the past two years, the Yen has recently gotten a bid amidst rising global uncertainty and economic volatility. However, expectations for the Bank of Japan to announce further monetary stimulus may finally push the Yen through the 125 JPY/USD level, which currently serves as resistance.



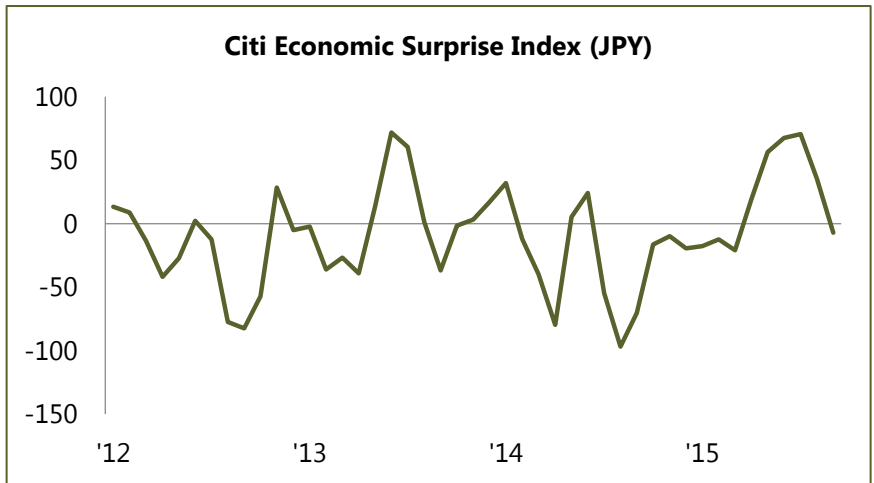
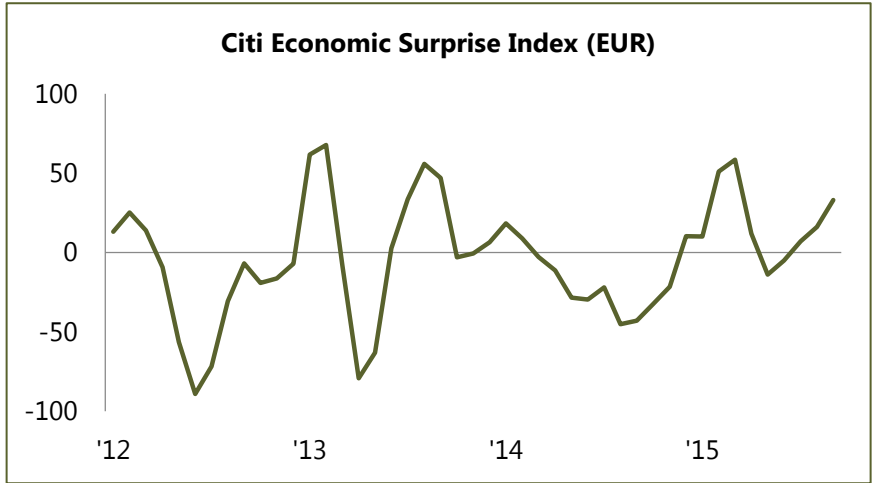
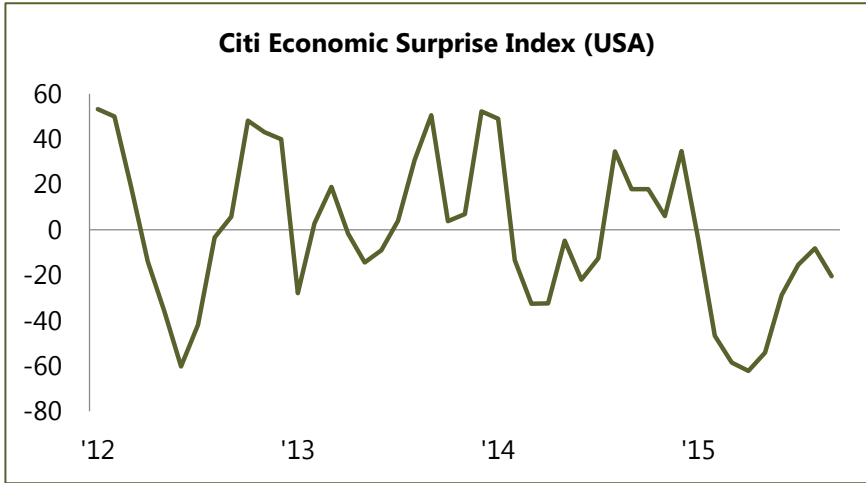
United Kingdom

U.K. CPI, GDP, Home Prices, and Unemployment Rate flattened out over the last quarter. The Bank of England continues their quantitative easing program, hoping to avoid inflation undershooting the Bank's 2% annual target.



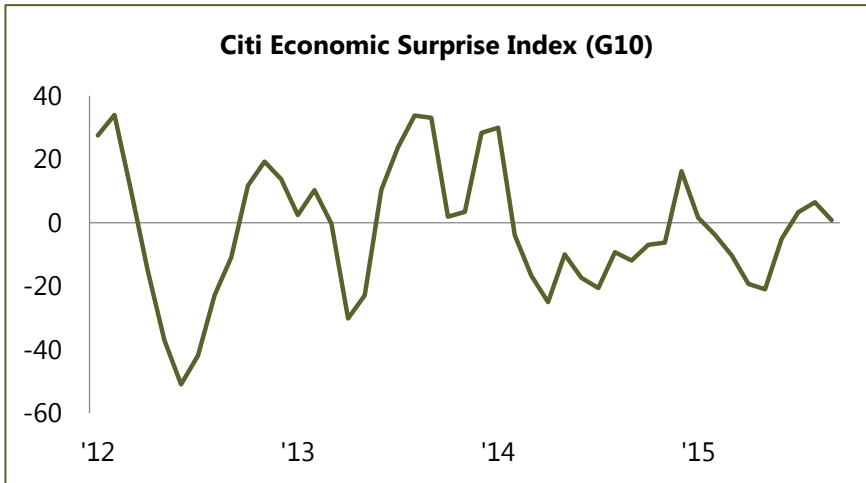
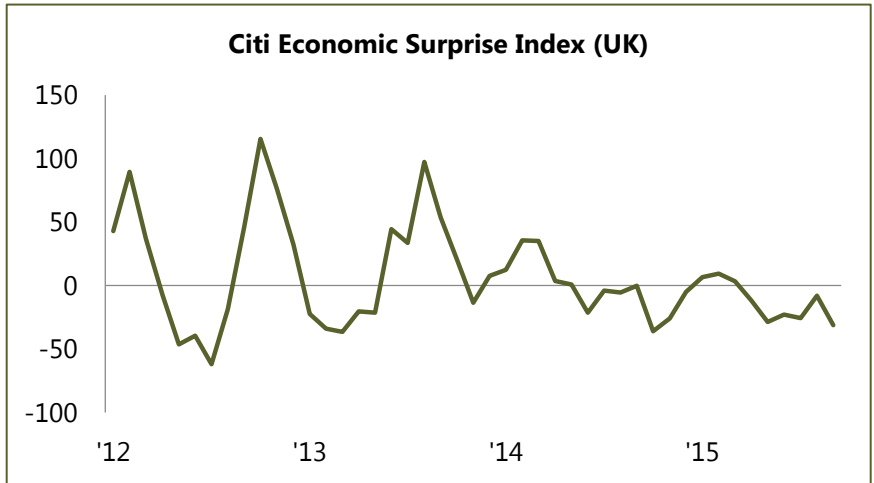
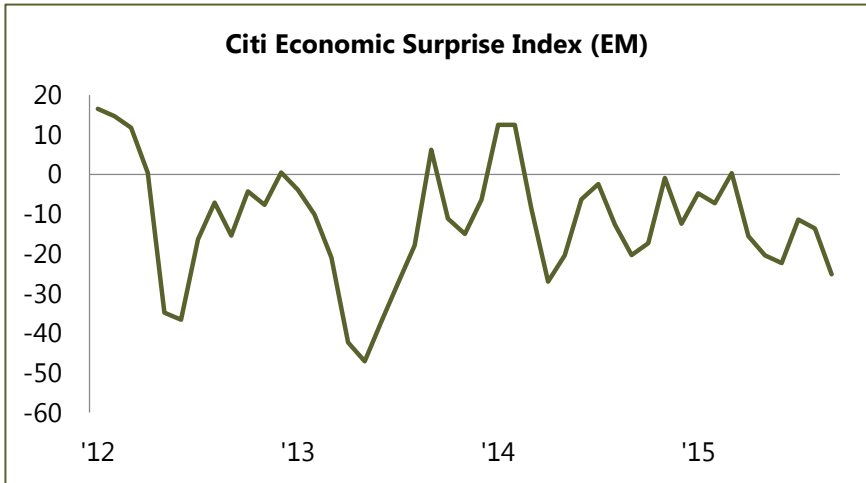
Economic Surprise Indices

U.S. and Chinese economic data continue to miss expectations, while Europe pushes back into positive territory. Japan loses its bright spot after recent unsavory economic data.



Economic Surprise Indices

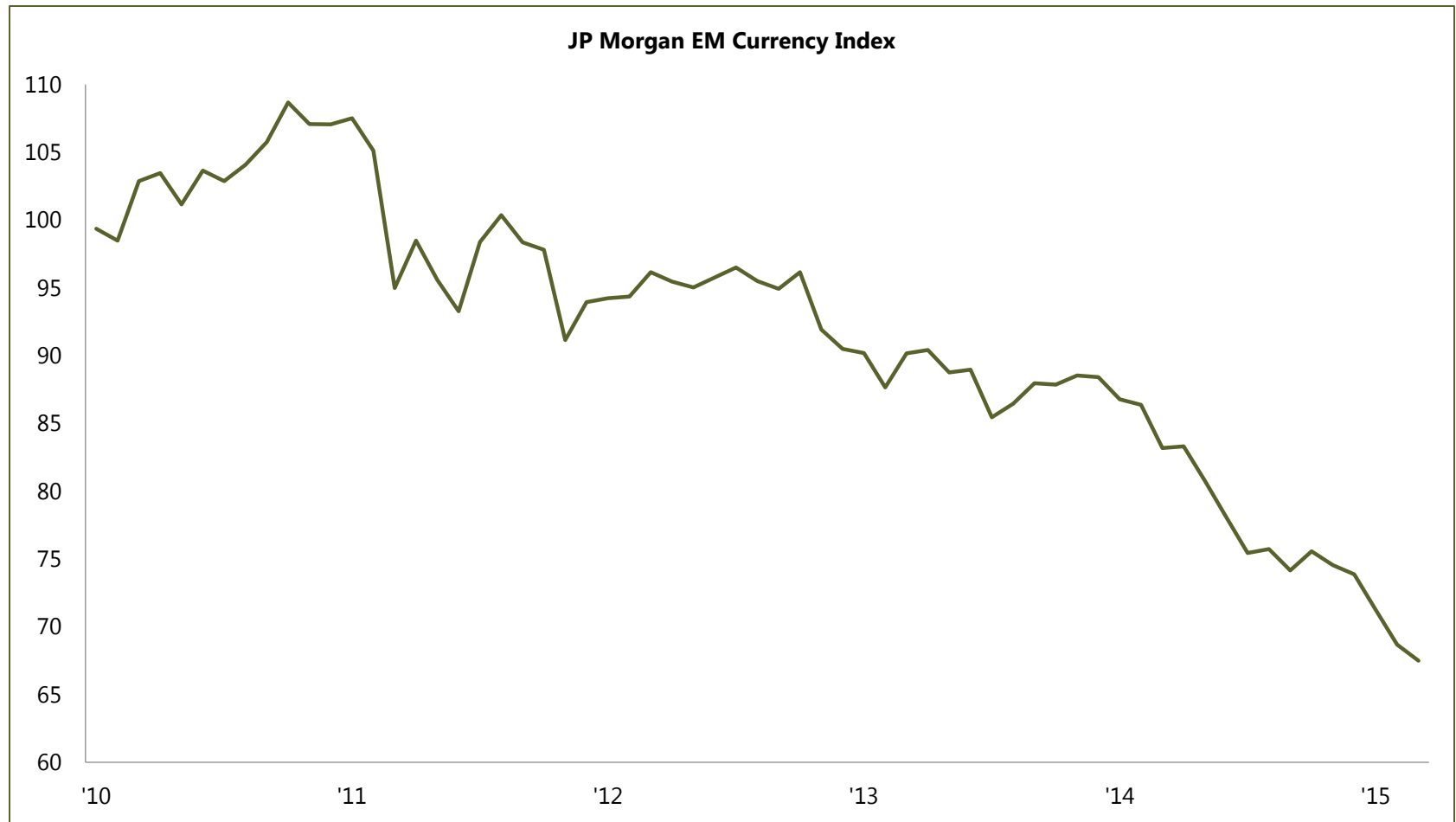
Emerging Markets, United Kingdom, and the G10 economies continue the trend of weaker-than-expected data into the third quarter.



An Economic Surprise Index reading that is **positive** signals that key economic data releases have **exceeded** market expectations.

Emerging Markets Currencies Still a Headwind

EM currencies continue to weaken as growth prospects are dampened amidst fears of a global economic slowdown, a Chinese hard landing, U.S. Dollar strength, and a continued rout in global commodity prices.



China

As Chinese Retail Sales, Industrial Production, and Trade continue to slow, the Chinese Government's 7% GDP growth target looks to be at risk. China will need to see meaningfully better economic data to achieve a possible 7% growth target.



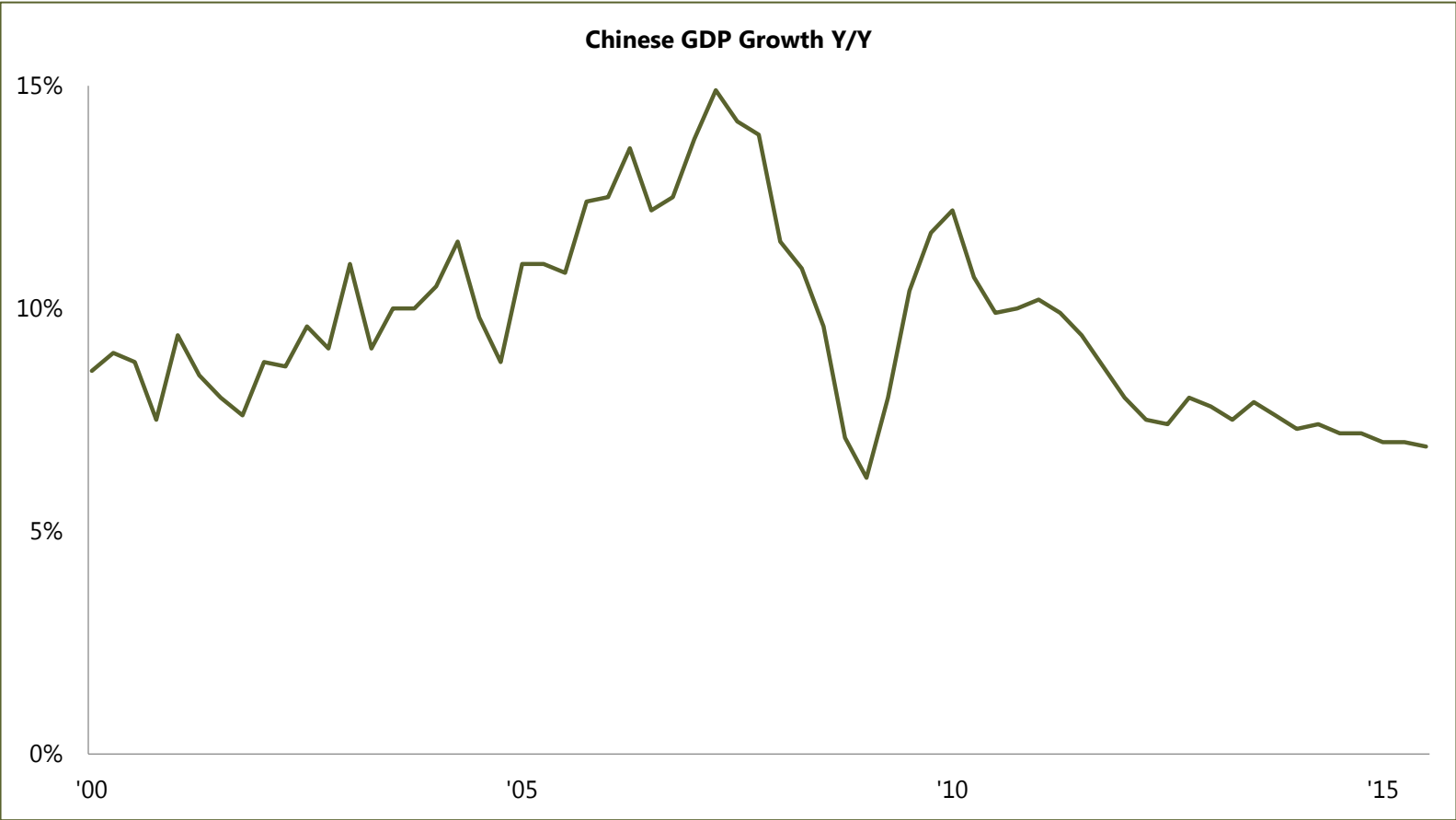
Shanghai Composite Bubble Bursting

The benchmark Chinese equity index may still have further room to fall - a target of 2,500 on the index would imply a -16% decline from the quarter's close.



China

Chinese GDP grew at a +6.9% annualized rate in the third quarter, above estimates for a +6.8% increase. While fears over a hard landing have largely abated, transitional risks remain as China moves from a manufacturing economy to one more driven by consumption (58.4% of GDP in Q3).



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